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Letter dated 19 September 2002 from the Chairman of the Security Council Committee established pursuant to resolution 1267 (1999) concerning Afghanistan addressed to the President of the Security Council

In accordance with paragraph 10 of Security Council resolution 1390 (2002), I have the honour to transmit herewith the second report of the Monitoring Group established pursuant to Security Council resolution 1363 (2001). I should be grateful if it could be brought to the attention of the members of the Council and issued as a document of the Council.

(*Signed*) Alfonso **Valdivieso**
Chairman
Security Council Committee established pursuant to
resolution 1267 (1999)

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Annex

Letter dated 22 August 2002 from the Chairman of the Monitoring Group established pursuant to resolution 1390 (2002) addressed to the Chairman of the Security Council Committee established pursuant to resolution 1267 (1999) concerning Afghanistan

On behalf of the members of the Monitoring Group, established pursuant to Security Council resolution 1363 (2001) and assigned, pursuant to resolution 1390 (2002), to monitor for a period of 12 months the implementation of the measures referred to in paragraph 2 of the latter resolution, I have the honour to enclose the second report in accordance with paragraph 10 of resolution 1390 (2002).

(*Signed*) Michael E. G. **Chandler**
Chairman
Monitoring Group pursuant to resolution 1390 (2002)

(*Signed*) Hasan A. **Abaza**
Expert Member

(*Signed*) Victor **Comras**
Expert Member

(*Signed*) Philippe **Graver**
Expert Member

(*Signed*) Surendra **Shah**
Expert Member

Enclosure

Second report of the Monitoring Group established pursuant to Security Council resolution 1363 (2001) and extended by resolution 1390 (2002)

Summary

The Monitoring Group established pursuant to Security Council resolution 1390 (2002) is charged with monitoring, reporting on and making recommendations concerning the implementation of the measures that the Security Council decided States shall take against Osama bin Laden, al-Qa'idah, the Taliban, and associated individuals and entities. These measures comprise a freezing of assets, a travel ban and an arms embargo. This is the second report prepared by the Group under that mandate. It builds upon previous research and analysis and provides an update of the recent activities and findings of the Group, along with recommendations concerning improvements to the implementation of resolution 1390 (2002.)

Despite having lost its physical base and sanctuary in Afghanistan, al-Qa'idah continues to pose a significant threat to international peace and security. It has developed operational links with militant Islamic groups in Europe, North America, North Africa, the Middle East and Asia and is still able to work with, or from within, those groups to recruit new members and to plan and launch future terrorist attacks. The terrorist organization's diffuse leadership, loose structure and absence of centralized command and control make it hard to detect or eradicate.

After the attacks of 11 September 2001, the international community joined in an unprecedented effort to combat terrorism and to track down and bring to justice Bin Laden, al-Qa'idah and the Taliban. Hundreds of al-Qa'idah and Taliban operatives were detained and many more were sought and identified. Only a few of those individuals and entities were actually included in the United Nations consolidated list of designated persons targeted by the measures under resolution 1390 (2002). Rather, numerous national lists were created and circulated bilaterally. Those lists are being used and applied by States unevenly and this has seriously diminished their effectiveness as a control measure. The present report recommends that much greater use be made of the United Nations list as a unified, authoritative and key control document, which places obligations on all States.

Despite initial successes in locating and freezing some US$ 112 million in assets belonging to al-Qa'idah and its associates, al-Qa'idah continues to have access to considerable financial and other economic resources. Since the adoption of resolution 1390 (2002) only about $10 million in additional assets has been frozen. Government officials have indicated that it has proved exceedingly difficult to identify these additional al-Qa'idah-related funds and resources. The task is further complicated by the lack of sufficient identifying information concerning persons on the United Nations list, as well as by the stringent evidentiary requirements necessary to obtain judicial approval for such actions. The Monitoring Group recommends that steps be taken to increase intelligence and information sharing between States relevant to this issue.

According to information provided to the Group by government officials and other sources, financial support continues to be available to al-Qa'idah from Bin Laden's own personal inheritance and investments, from members and supporters of al-Qa'idah and from contributions obtained, or diverted from charitable organizations. The funds collected and disbursed by a number of Islamic-based charities are proving particularly difficult for Governments to monitor and regulate. States should exercise greater surveillance over the operations of charities and the disbursement of funds. Greater efforts should be made to track down and close down businesses and entities supporting al-Qa'idah.

A large number of States in Europe, North America and elsewhere have taken steps to tighten banking regulations and to better locate, trace and block financial transactions. These regulations impose new requirements on banks to "know their customers" and to review and report all suspicious transactions. This has led al-Qa'idah to transfer much of its financial activities to Africa, the Middle East and Asia. Also, the terrorist organization is turning increasingly to alternative banking mechanisms, including the use of

informal remittance systems, such as *hawala*. Further steps are necessary to regulate these systems.

Several Governments have taken steps to tighten visa and border controls. Nonetheless, members of al-Qa'idah and the Taliban continue to move undetected across international boundaries, particularly in the areas adjacent to Afghanistan. They have sought shelter and hiding places in neighbouring countries or to transit those countries in order to reposition themselves or to return to their places of origin. There are also reports that al-Qa'idah members have sought to enter Europe using falsified travel documents, travelling via well-established illegal immigration routes, including those extending from Central Asia, as well as from Turkey and the Balkans into the rest of Europe.

The Monitoring Group visited a number of border entry points, and witnessed and discussed the procedures being used to control entry. This included checking to determine if names on the United Nations list actually appeared in the databases of controlled persons used by border officials. This produced mixed results. Many of the States indicated that they were unable to include some of the names from the United Nations list because of the lack of minimum required identifiers. All States should ensure that the list is adequately reflected in their border control procedures.

The arms embargo continues to be a highly challenging and complex task for the Monitoring Group, as it is imposed against people and entities rather than a specific territory. Furthermore, it deals with individuals who have gone underground and are known to belong to secretive and violent terrorist organizations, determined to defy the world community. Some of these individuals are in the border areas of Afghanistan and Pakistan. These elements continue to engage the coalition forces in guerrilla skirmishes and are still a threat to the region. They are most probably receiving weapons and ammunition, despite the arms embargo. In order for the arms embargo to be effective, the traditional smuggling networks, their usual routes and all the actors in the illicit arms trade, particularly those accustomed to operating in and out of Afghanistan, must have their operations disrupted.

The other elements of al-Qa'idah of interest to the Group are scattered all over the world. These al-Qa'idah terrorists have "gone to ground" in urban centres and are relying on local criminal gangs or loose regulations to obtain their weapons. In such cases the imposition by States of more stringent arms regulations is necessary to deter the terrorists and their suppliers from easily obtaining their weapons through the open market.

The recommendations in the report set out to address the concerns that have been identified by the Monitoring Group with respect to the methods by which al-Qa'idah continues to be funded and to secrete financial assets, be it with assistance of Islamic religious charities, by using alternative remittance systems or through petty crime. Further recommendations have been made to improve the United Nations list and its management, not only to assist States with the blocking of assets, but also to ensure that the travel ban and the arms embargo are more effectively enforced. The Group also recommends steps that States can take to contribute at the global level to the disruption of illegal sales and supplies of arms and ammunition to al-Qa'idah, its associates and associated entities.

The measures adopted by the international community have had a marked impact on al-Qa'idah, causing it go to ground, to reposition its assets and resources and to seek new recruits. Nonetheless, the organization is by all accounts "fit and well" and poised to strike again at its leisure. The bottom line is that members of al-Qa'idah and their associates are deployed in many countries across the world and, given the opportunity, they will have no compunction in killing as many people as they can from those nations that do not conform to their religious and ideological beliefs and which they perceive as their enemies.

I. Introduction

1. The Security Council, on 16 January 2002, acting under Chapter VII of the Charter of the United Nations, adopted resolution 1390 (2002) imposing financial prohibitions, a travel ban and an arms embargo on Osama bin Laden, members of al-Qa'idah, the Taliban and other individuals, groups, undertakings and entities as referred to in the list established and maintained by the Security Council Committee established pursuant to resolution 1267 (1999) concerning Afghanistan.

2. By paragraph 9 of resolution 1390 (2002), the Security Council requested that the Secretary-General

assign the Monitoring Group established pursuant to paragraph 4 (a) of resolution 1363 (2001) to monitor, for a period of 12 months, the implementation of the measures referred to in paragraph 2 of resolution 1390 (2002). The Council furthermore requested the Group to report to the Security Council Committee established pursuant to resolution 1267 (1999) on Afghanistan.

3. During the reporting period, a new Government was established in Afghanistan with the assistance of the international community. That Government continues to face an ongoing threat posed by the remnants of the Taliban supported by elements of al-Qa'idah. Afghan government and coalition forces are dealing with this threat. The Group continues to actively monitor the implementation by States of the measures as they relate to the Taliban and those associated therewith.

II. The al-Qa'idah phenomenon

4. Building on the research and analysis that the Group had undertaken during the first four months of the mandated period, and on the basis of additional and more detailed information, the Group has developed a firmer image of the al-Qa'idah network (see annex I) and its structure (see annex II), its financial and logistic support and the different ways it operates. The Group's work has benefited considerably from information and briefings provided by certain States, as well as by experts in this field. The Group also liaised regularly with other panels of experts. The image that emerges of al-Qa'idah is that of a series of loosely connected operational and support cells. These cells are operating, or are established in at least 40 countries. They are well entrenched in Europe, the Middle East, North Africa, North America and many parts of Asia.

5. Despite having lost its physical base and training facilities in Afghanistan, al-Qa'idah continues to pose a significant international threat. This is in part due to its loose worldwide structure and its ability to work with, and from within, militant Islamic groups in numerous countries. Many of these extremist elements look to Osama bin Laden and his Shura Majlis, a sort of "supreme council", for inspiration, and sometimes also for financial and logistic support.

6. The shape and structure of al-Qa'idah and the absence of any centralized, tightly knit command and control system makes it extremely difficult to identify and scrutinize its individual members and component entities. Its global network and links with various like-minded radical groups enables it to operate discreetly and simultaneously in many different areas. Al-Qa'idah cells or elements operating under its banner often form coalitions with local radical or splinter groups for specific purposes.[1] Al-Qa'idah has made extensive use of new information technology and the Internet to maintain communications with, disseminate information, pass messages or instructions to and maintain the morale of their supporters and sympathizers.

7. Al-Qa'idah has sought to link itself to the aspirations of different radical groups ranging from traditional nationalistic Islamic organizations to multinational, multi-ethnic ones. It has sought to preach a general "common cause", which paints a "common enemy" on which these groups should focus. Unlike almost any other terrorist organization or movement, al-Qa'idah is able to motivate its followers and sympathizers to transcend their individual political, national and religious factional beliefs. In Indonesia, for example, several radical Islamic groups were brought together, calling themselves "Anti-American Terrorist Soldiers", to protest against a possible United States attack in Afghanistan.[2] On occasions, Osama bin Laden has been able to unite Shia with Sunni in their fight against their common enemies. This appeal has been extended to disenchanted radical elements in Europe, the United States of America and elsewhere. It appears that special efforts have been made to find recruits from among second- and third-generation residents in Europe and the United States. This latest development is of all the more concern as the individuals involved in most cases do not need a visa to travel in Europe or the United States, making it more difficult to control and track their movements.

[1] "Officials have said that the new coalition included elements of al-Qa'idah, as well as the outlawed Pakistani groups Jaish-e-Mohammad, Laskar-e-Taiba and Laskar-e-Jangvi ... The coalition is called Laskar-e-Omar, in part, for Ahmed Omar Seikh, the man accused of masterminding [Daniel] Pearl's kidnapping" (*The New York Times*, 3 July 2002).

[2] Rohan Gunaratna, *Inside Al Qaeda: Global Network of Terror*. New York, Columbia University Press, 2002, p. 201.

8. The tactics used by these al-Qa'idah-related cells are often adjusted to local circumstances or to targets of opportunity. The types of attacks launched vary from the complex hijackings of 11 September 2001 to the fumbled attempt by Richard Reid, the "shoe bomber", to bring down an American Airlines flight. They have included attempts to poison water supply lines and to disrupt local and regional communications.[3] In addition, there have been more conventional terrorist attacks such as shootings, car bombs and assassinations (see annex III). In the future one can expect al-Qa'idah to avail itself of new weapons and strategies, including the possibility of using chemical and biological agents, and the launching of cyber attacks against critical components of telecommunications and information systems infrastructures and key databases.

9. The investigations following the attacks of 11 September 2001 have unearthed clear evidence regarding the extent to which al-Qa'idah has established itself in Europe. Al-Qa'idah cells in Europe provided logistic support and financing for the attacks and are in position to provide support and weaponry for other possible operations worldwide. This support includes fund-raising and the provision of finance; the supply of false, forged or stolen identity and travel documents; and safe houses. In addition, the recruiting of young men and women, inspired by a small number of extremist clerics preaching jihad, appears to be quite common in a number of locations in Europe, as in many other parts of the world.

10. Because of the central role that al-Qa'idah in Europe has played in planning and implementing several actual and attempted terrorist attacks, the Group initially focused much of its attention there. The Group met with officials of European States in order to gain a greater understanding of the circumstances bearing on the way in which they are implementing the requirements of resolution 1390 (2002). To date the Group has visited Austria, Belgium, Bosnia and Herzegovina, France, Germany, the Netherlands, Portugal, Spain and the United Kingdom of Great Britain and Northern Ireland. In addition, the Group went to the United Arab Emirates and made a number of visits to United States Government departments in Washington. The general pattern of the visits involved meetings with the appropriate government departments responsible, not only for implementing the required measures, but also for the investigations into the presence, behaviour and modus operandi of suspected members of al-Qa'idah and its many associates.

11. The Monitoring Group is encouraged by the successes that have been achieved in a number of States with their investigations, invariably painstaking, intensive and thorough, leading to the arrest of al-Qa'idah terrorists and/or the foiling of attempted attacks by them. However, many remain at large and, rather like advancing infantry lines in battles of the nineteenth century, as gaps appeared due to cannon fire, they were quickly filled, so it is with al-Qa'idah: new cells being formed by those committed to the al-Qa'idah cause.

12. With increasing information now becoming available concerning the extent of al-Qa'idah activities in South-East Asia, the Middle East and North Africa (see annex IV), the Group is focusing more attention also in those areas. This has included a close review of public source information and a review of documents. The Group has taken note of the adoption by the Presidents of China, the Russian Federation, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, of the Charter of the Shanghai Cooperation Organisation at their summit meeting in St. Petersburg on 7 June 2002 (see S/2002/672). The Charter defined joint actions on a regional anti-terrorist structure, a significant step in view of latent threats to that region from Chechnyan rebels, members of the Islamic Movement for Uzbekistan and the East Turkestan separatist movement.

13. More recently the Group has also noted the joint declaration made by representatives of the 10 States members of the Association of South-East Asian Nations (ASEAN) and the United States for cooperation to combat terrorism by sharing information, blocking funding, tightening border controls and making it more difficult to use falsified travel papers. The Group hopes also to conduct consultations with interested Governments in the above-mentioned regions in the near future.

14. In order to tackle al-Qa'idah and its very diverse structure it will be necessary to adopt an even more multinational approach, which will need to be multi-pronged and multi-agency. Coming to grips with the

[3] Nine Moroccans were arrested in connection with the suspected assault, which included possibly injecting cyanide into water pipes running to the [United States] embassy building on Via Vento [in Rome]" (*The Washington Post*, 13 July 2002).

threat posed by al-Qa'idah is no longer the prerogative of only law enforcement, intelligence and security services of States. Theories, principles, international declarations, resolutions, speeches, public statements are all well and good, but the crux of the matter boils down to the effective and timely sharing of information, an area of international cooperation which has improved markedly since the events of 11 September, but still has considerable room for improvement

15. Al-Qa'idah, despite the successful inroads made against it over recent months, is by all accounts "alive and well" and poised to strike again, how, when and where it chooses. If the rhetoric emanating from the al-Qa'idah "spokesperson" and other pro-al-Qa'idah "media releases" is to be believed, the prime targets of the organization are likely to be persons and property of the United States and its allies in the fight against al-Qa'idah as well as Israel. The bottom line is that members of al-Qa'idah, deployed in many countries across the world, will, given the opportunity, have no compunction in killing as many of those who do not conform to their "religious/ideological" beliefs. This is the phenomenon which all Members of the United Nations must be prepared to confront, even if it does involve painful changes to their legal structures.

III. Findings

A. The United Nations consolidated list

16. The United Nations consolidated list continues to be one of the key instruments available to States in their efforts to implement the provisions requested of them in resolution 1390 (2002). The list contains the names of individuals and entities designated by the Committee as belonging to, or associated with, the Taliban or al-Qa'idah. It forms the basis for action by Governments to freeze bank accounts and other financial or economic assets as well as to prevent the entry into, or the transit through, their territories of those whose names appear on the list. It also is the basis for action to prevent the direct or indirect sale and supply of arms and related material, weapons, ammunition, military vehicles, equipment, and the provision of training and assistance to the individuals and entities mentioned in the list.

17. In paragraph 5 of its resolution 1390 (2002), the Security Council requested that the Committee update the list regularly on the basis of relevant information provided by Member States and regional organizations. The most recent update was issued on 8 July 2002. States were also requested to report to the Committee concerning the actions taken by them to implement the measures contained in paragraph 2 of resolution 1390 (2002).

18. The Group has conducted discussions with a number of States and regional organizations concerning the use and efficacy of the list. This has included discussions in capitals with those charged with implementing the measures enumerated in paragraph 2 of resolution 1390 (2002). The discussions have revealed a number of issues and some shortcomings concerning the list which the Group considers need to be addressed by the Committee.

19. States have proffered the Group differing interpretations regarding the character of the list and the obligations imposed by paragraph 2 of resolution 1390 (2002). Several have restricted the application of the measures only to persons or entities identified in the list. This position is reflected, for example, in the European Commission regulations issued on 27 May 2002 which apply only to those individuals and entities that have been specifically designated by the Committee and have been listed in the annex to the European Union regulations.

20. This approach may have constrained some States from taking measures to control the assets or movements of persons or entities linked with the Taliban or al-Qa'idah whose names do not appear on the list. In some cases this is due to a lack of legislative or administrative authority to take actions against persons or entities other than those flowing from a specific obligation under Chapter VII of the Charter of the United Nations.

21. Other States have viewed the list as exemplary, with the obligation to impose restrictions on all persons and entities they have identified as being members of al-Qa'idah or the Taliban, even prior to their being added by the Committee to the list. These States refer to paragraph 4 of resolution 1390 (2002), in which the Security Council:

> "*Recalls* the obligation placed upon all Member States to implement in full resolution 1373 (2001), including with regard to any

member of the Taliban and the al-Qa'idah organization, and any individuals, groups, undertakings and entities associated with the Taliban and the al-Qa'idah organization, who have participated in the financing, planning, facilitating and preparation or perpetration of terrorist acts or in supporting terrorist acts."

22. Most of the States with whom the Group has had detailed discussions have come to recognize that the list does not necessarily cover all the individuals that are members of, or associated with, Osama bin Laden, al-Qa'idah or the Taliban. This has led to a proliferation of control and/or watch lists concerning persons and entities, many of which have been circulated among certain States on a bilateral or regional basis. The United States, for example, maintains multiple lists covering, inter alia, blocked persons, persons excluded from entry and potential criminal targets which are updated regularly. The list of blocked persons published by the United States Treasury Office of Foreign Assets Control[4] is available to all Governments and has been incorporated by many of them in part or whole into their domestic regulatory actions.

23. The force and effect of these lists varies and they have been unevenly applied with regard to the restriction of movement or blocking of assets. This has complicated the task of those charged with administering these controls. A number of leading international banks, including those which have adopted the Wolfsberg Statement on the Suppression of the Financing of Terrorism (see annex V) have complained that the proliferation of control lists has seriously compromised their ability to follow transactions related to such persons. They have called for greater international coordination and consolidation of these official lists of suspected terrorists and terrorist organizations.

24. It is important that all States treat the list as an authoritative and key reference document supporting the measures laid down in paragraph 2 of resolution 1390 (2002). It should be read, however, within the context of the obligations imposed by resolutions 1373 (2001) to ensure that all appropriate measures, including those enumerated in paragraph 2 of resolution 1390 (2002) are applied to any member of the Taliban or the al-Qa'idah organization, including their associates or associated entities.

25. The Group has noted some reticence on the part of several States to submit to the Committee names of additional individuals or entities to be incorporated in the list. In fact, the list has fallen well behind the actions of States in identifying, monitoring, detaining and arresting individuals believed to be associated with al-Qa'idah or the Taliban. The number of arrests in several States has increased. This may result in access to a wide range of new information linked to al-Qa'idah including future plans. However, the Group believes that the addition of names and other information to the list needs to be expedited. The Group is also of the opinion that proactive information-sharing should be realistically improved.

26. Authorities in several States indicated a lack of clarity concerning the process and procedures for submitting to the Committee names to be added to the list, or for identifying or clarifying information regarding persons or entities already on the list. They also noted a lack of established guidelines or evidentiary criteria for determining which names should be added to the list. Several States also indicated that they lacked authority to submit names of individuals residing in them, or holding their nationality. There was also concern that the procedures related to the submission of names were cumbersome and lacked the urgency associated with moving quickly to capture assets or constrain movement.

27. Confidentiality, privacy concerns and legislative requirements covering investigations were also viewed as hampering this process. The Group was informed that legal actions had been commenced in some States challenging the inclusion of certain names on the list as well as its validity and operability under national law. The outcome of these legal proceedings is uncertain.

28. Questions have also been raised regarding procedures for the removal of names from the list. Requests for removals from the list might be justified on the basis of the death of persons listed, changed behaviour or circumstances, misidentification, inaccurate identification or exculpatory information. A number of States expressed the view that the Committee should develop appropriate procedures for removals from the list and that those procedures should be communicated to States. In this regard the Group is

[4] Available on the Internet at www.treas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf.

pleased to note the "Statement of the Chairman of the 1267 Committee on De-listing Procedures".[5]

29. The lack of sufficient information and identifiers regarding the designated persons and individuals and entities is another problem that has been highlighted by States to the Group. Issues of this nature were raised in the previous report (see S/2002/541) and the Group encourages the Committee to continue in its efforts to respond to these concerns.

30. The Group believes that the list needs to be updated regularly on the basis of specific and reliable information provided by States on persons or entities they have identified as members of or being associated with al-Qa'idah and the Taliban. Additional identifying information on persons or entities already contained in the list should also be provided to the Committee as soon as it is known by any State. This is essential if the list is to be maintained as an effective instrument to counter the threats to peace and security posed by the Taliban and/or al-Qa'idah, as a whole.

31. The Group recommends that specific action be taken by the Committee and/or the Security Council to encourage States to submit the names of all persons arrested or detained on the basis of "due cause" to believe the persons are members of, or associated with, al-Qa'idah or Taliban. Similarly, the names of entities against which national administrative or legal action has been taken on the basis of "due cause" of their relationships to al-Qa'idah or the Taliban should also be provided the Committee. The Group is particularly concerned to note that the names of five key individuals have not been submitted to the Committee for inclusion in the list. These individuals are: Gulbuddin Hekmatyar, Ramzi bin al-Shibh, Khalid Shaikh Mohammed, Suleiman Abu Ghaith and Said Bahaji. The Group is also concerned to note that 38 other named individuals who have been arrested or detained in Belgium, Canada, France, Indonesia, Italy, Malaysia, Morocco, Oman, Pakistan, the Philippines, Spain, the United Kingdom and the United States for having ties to al-Qa'idah, have not been submitted to the Committee for consideration for designation on the list.

32. Authorities in several States have also underscored the need for the Committee to be able to respond rapidly to inquiries concerning the identity of persons or entities on the list. A rapid response is often critical, they indicated, as several States have national laws which permit persons to be detained initially only for periods ranging from 48 to 72 hours without being charged. The Group recommends that the Committee adopt the procedures necessary to enable it to respond rapidly to such inquiries. These procedures should take into account the urgency of the request, national legal constraints concerning periods of initial detention and difficulties engendered by different time zones. The Committee should consider the establishment of a response mechanism in the United Nations Secretariat which can act as a clearing house for such inquiries, thus ensuring that they are directed with alacrity to the appropriate authorities in other States or regional organizations that may possess the required information.

B. Freezing of financial and economic assets

33. In paragraph 2 (a) of its resolution 1390 (2002), the Security Council decided that States shall freeze without delay the funds and other financial assets or economic resources of the individuals whose names appear on the list, as well as the funds and other financial assets or economic resources of:

> "groups, undertakings and entities, including funds derived from property owned or controlled, directly or indirectly, by them or by persons acting on their behalf or at their direction, and ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly, for such persons' benefit, by their nationals or by any persons within their territory".

34. Following the terrorist attacks of 11 September 2001, a number of Governments moved quickly to freeze the assets of individuals and entities believed to be associated with al-Qa'idah and the Taliban and to block financial and other economic transactions to or for their benefit. Several States enacted new legislation to take such steps.

35. According to published documents, some 166 countries and jurisdictions have issued blocking orders cutting off financial and other economic transactions. Approximately $112 million has been frozen in the aggregate. This includes assets controlled by the

[5] Press release SC/7487/AFG/203, dated 16/08/2002.

Taliban which were later unfrozen and made available to the Afghan Interim Authority. Most of these funds were frozen in the aftermath of the terrorist attacks of 11 September 2001. The pace of freezing actions has slowed since then, with only $10 million in additional assets being frozen after the adoption of resolution 1390 (2002). The Monitoring Group notes that some of the blocked funds may relate to terrorist groups other than al-Qa'idah. These freezing actions may also include blocking actions against persons or entities believed to be associated with the Taliban or al-Qa'idah that do not appear on the list.

36. The amount of $112 million that has been frozen represents only a small fraction of the funds and resources experts on terrorism believe still to be available to al-Qa'idah and the Taliban. These experts note that the financial needs of al-Qa'idah have also been greatly reduced with the collapse of the Taliban Government and the destruction of many of their training camps in Afghanistan, leaving al-Qa'idah funding available for other activities. These activities are believed to include a stepped-up indoctrination and recruitment programme that provides support to radical fundamentalist organizations, schools and social organizations.

37. Government officials have indicated to the Group that it is proving exceedingly difficult to identify additional funds or economic assets to be blocked with regard to persons now on the list. This is particularly the case where identifying information has not been provided, or where other persons or entities, for whom and on behalf of whom those on the list hold under alias funds or economic assets.

38. Many member Governments have expressed reluctance to impose freezing actions against any but those specifically named in the list. Several have indicated also that additional blocking orders against persons not on the list could only be issued on the basis of significant identifying information, and on evidence that could be used in open court to justify such action.

39. Several States have indicated that they are facing legal challenges to the blocking actions they have taken. Luxembourg, for example, recently released funds related to an entity that had been linked with al-Barakaat because the Luxembourg regulatory authorities did not have access to releasable intelligence information related to the case. Other court challenges are also pending. Within this general context, the Group was encouraged to note the de-listing, on 26 August 2002, of three individuals and three entities which had allegedly been connected with al-Barakaat, and al-Qa'idah.[6]

40. The evidence for blocking transactions or freezing assets is often clouded by the confidential nature of intelligence information linking suspected individuals or entities to al-Qa'idah. In some cases Governments have not been willing to share such information or to release such information for use in open court. The Group notes that some States have recently adopted procedures allowing for in camera judicial review of classified information used to identify and freeze terrorist assets. The Group recommends that States assist each other to the fullest extent possible in the investigation and sharing of intelligence and other information relevant to those on the list.

41. Clarification was requested by some States regarding the scope of "funds" and "economic resources," to be frozen under resolution 1390 (2002). The Group has taken note of the extensive definitions included in the regulations issued by the Commission of the European Union (EU) as a point of reference. These regulations also direct, in part, that EU member States prevent any movement, transfer, alteration, use of, or dealing with funds in any way that would result in any change in their volume, amount, location, ownership, possession, character, destination or other change that would enable the use of the funds, including portfolio management. EU member States are also directed to prevent the use of "economic resources" to obtain funds, or goods or services in any way, including, but not limited to, by selling, hiring or mortgaging them.

42. The question of the availability of "humanitarian exceptions" to allow those on the list to obtain funds needed for subsistence was raised with the Group in a number of States. This has been signalled to the Group as a problem for several States, which are seeking to determine how to respond to challenges made through judicial procedures to allow access to frozen funds ostensibly needed to obtain civilian necessities. The Government of Switzerland has indicated that it has released small amounts of money from frozen accounts for personal and business expenses where account

[6] Press release SC/7490, dated 27 August 2002.

holders have demonstrated hardship. The Group is aware that the Committee is seized of this issue.

43. Some States have taken blocking actions against persons and entities not yet on the list whom they consider to be associated with al-Qa'idah. These actions have been based on national legislation and information shared between States through bilateral channels. The Group believes it important that the names of such persons and entities be provided to the Committee for inclusion in the list so as to ensure that assets located in other jurisdictions belonging to those individuals or entities are also frozen.

44. In addition to the actions being taken by States to locate and freeze the assets of persons and entities on the list, additional activities are being undertaken by States and regional organizations to trace and impede the flow of funding and the provision of economic resources that support al-Qa'idah activities and operations.

45. According to information provided to the Monitoring Group by government officials and other knowledgeable sources, funds continue to be available to Osama bin Laden and al-Qa'idah from Bin Laden's own personal inheritances and investments; from funding provided by members and supporters of al-Qa'idah; and from contributions obtained from, or diverted or embezzled from some charitable organizations. Revenues obtained by groups through small business activities and illegal activities, including smuggling, petty crime, robbery, embezzlement and credit card fraud, augment these funds.

46. Government sources and other experts on terrorism have indicated that a large portfolio of ostensibly legitimate businesses continues to be maintained and managed on behalf of Osama bin Laden and al-Qa'idah by a number of as yet unidentified intermediaries and associates across North Africa, the Middle East, Europe and Asia. Estimates put the value of this portfolio at around $30 million, although some have put the figure as high as $300 million. This reportedly includes investments in major financial centres in Africa, Latin America and South-East Asia. Hundreds of millions of dollars are also believed to be secured in real estate in Europe and elsewhere. Some freezing actions have been taken against al-Barakaat and al-Taqwa/Nada Management Group as business components supporting the al-Qa'idah financial network.[7]

47. Private donations to al-Qa'idah from wealthy supporters, estimated at up to $16 million per year, are believed to also continue, largely unabated. Al-Qa'idah also is believed to extort money, sometimes using threats to businesses or individuals.

48. Some Islamic charities and related non-profit organizations are also sources of funding for the al-Qa'idah network. These charities collect billions of dollars each year. Most of this money is used for benevolent purposes. However, some of these funds are being directed, or diverted, to support al-Qa'idah. Al-Qa'idah has been known to infiltrate established charities for this purpose. A portion of these funds is also being directed to supporting a network of radical fundamentalist institutions, schools and social organizations that are believed to provide refuge, logistic support, recruitment and training for the al-Qa'idah network.

49. Investigators in a number of countries have identified several tainted charities, and others are now being closely monitored. Steps have been taken to freeze certain of their assets or to otherwise impede the flow of their funds in support of terrorist activities. The United States and Saudi Arabia, for example, jointly designated and froze the funds of the regional offices of Al-Haramain Islamic Foundation in Somalia and in Bosnia and Herzegovina. Freezing actions have also been taken against the Aid Organization of the Ulema. United States authorities recently released information also linking the Chicago-based charity Benevolence International, with al-Qa'idah. Benevolence

[7] Several government and private experts on al-Qa'idah have made reference to these possible al-Qa'idah-related investments and accounts. The Monitoring Group understands that the information is based largely on investigations into al-Qa'idah, during the period 1996-2001, including the activities of Jamal Ahmed Al-Fadl (who testified in the trial related to the bombing of the two American embassies) and Mohammed Jamal Khalifa (a brother-in-law of Osama bin Laden). This information is also contained in, inter alia, *Jane's Intelligence Review*, 1 August 2001; Kimberly L. Thachuk, "Terrorism's financial lifeline: can it be severed?" Washington, D.C., Institute for National Strategic Studies, National Defense University, May 2002; Peter L. Bergen, *Holy War, Inc.*, New York, Free Press 2001; and Ronan Gunaratna, *Inside Al-Qaeda: Global Network of Terror*, New York, Columbia University Press, 2002.

International maintained 10 offices worldwide that were used to transfer money to al-Qa'idah associates.

50. The regulation of funds collected and disbursed by charities is proving particularly difficult for several Governments, officials of which told the Group they lacked sufficient regulatory authority to closely audit or oversee religious-based charitable organizations. Many of these charities are well established within the local Islamic communities and are closely associated with local Islamic religious groups. They are heavily involved in supporting the legitimate needs of these particular communities, as well as Islamic religious and humanitarian activities overseas. In general there is a policy of reticence, Governments have said, to interfere with these "religious" activities unless specific evidence is available indicating abuse. The task of regulating these organizations is further complicated, they said, by the international character of charitable works, which often means that funds are directed to recipients outside their jurisdiction. Much of these funds flow to areas where there is little transparency concerning their use.

51. The Group notes that regulation and financial oversight of charities varies from country to country and is unevenly applied. Many States lack the ability under current laws and regulations to adequately audit and follow charitable-related transactions or to hold those accountable for abuse. The Group recommends that States review their legislation in this regard to assure that adequate controls and penalties are in place to deal with this issue. Few if any international standards have been developed to determine the bona fides of international charitable organizations, and cooperation is lacking in this regard between States.

52. Al-Qa'idah's largely compartmentalized cells are also responsible for much of their own financial support. They reportedly engage in both legitimate local small business activities as well as criminal activities. Local criminal activities have ranged from peddling illegal drugs to bank robberies and identity and credit card fraud. In the aggregate this has accounted for an important segment of al-Qa'idah funding. Theft rings which help finance extremist groups are involved in the trafficking of identity documents and the pilfering of items including computers, cellular phones, passports and credit cards. An al-Qa'idah terrorist cell in Spain used stolen credit card numbers and provided forged credit cards for the use of al-Qa'idah cells in other countries. Similar activity was also reported in Belgium. Those involved generally kept purchases below amounts where identification would require to be presented. They also used stolen telephone and credit cards for international communications. Extensive use was also made of false identity papers, social security numbers, passports and travel documents to open bank accounts where money to and from the al-Qa'idah movement was sent.

53. The use of false documents has become a standard mode of operation for Al-Qa'idah and its associated groups. The American Federal Bureau of Investigation, in testimony before Congress, indicated that the hijackers of 11 September had opened bank accounts in the United States using false identity papers and social security numbers.

54. There are growing indications that al-Qa'idah has begun to focus an increasing part of its financial activities in South-east Asia. This includes establishing front businesses and accounts, seeking charitable and other contributions, and engaging in illegal activities. Al-Qa'idah is suspected of having established logistic and financial support cells in Pakistan, Indonesia, Kashmir, Malaysia, Singapore and the Philippines. The Jemaah Islamiah network, based in Indonesia but with suspected cells in several other South-east Asian countries, is believed to be active in supporting al-Qa'idah financially and otherwise. The ASEAN countries have now all adopted the ASEAN Declaration on Joint Action to Counter Terrorism and are in the initial stages of establishing collaborative procedures to deal with terrorism financing issues.

55. Despite the difficulties being encountered in designating and blocking financial assets and economic resources, Member States have become more active in seeking to trace and block terrorist-related financial transactions. New procedures have been widely adopted by the international banking community to identify and report suspicious transactions. The United States Patriot Act,[8] for example, contains rigorous "due diligence" requirements barring dealings with "shell banks" or foreign banks that deal with or maintain accounts for "shell banks". German bank regulators have established a new unit to track and investigate

[8] Uniting and Strengthening America by providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act) Act of 2001, Pub. L. 107-56 (Oct. 6, 2001).

terrorist financing and money-laundering[9] and are proceeding with the creation of a central registry of bank accounts.

56. Several other States have also put in place stricter laws requiring banks to know their customers and to report suspicious transactions. The United States Patriot Act, for example, places new obligations on banks and other money service businesses, brokers and dealers, including dealers in securities, and credit card operators to require adequate identification procedures as part of a new comprehensive anti-money-laundering programme. The Wolfsberg Group of Financial Institutions has called on its members and the international banking community in general to adhere more strictly to "know your customers" policies. Several leading banks in the United Kingdom have also indicated their intention to verify the identity of every account holder as part of a new "know your customer" campaign. They are also introducing new monitoring software to flag and track unusual and suspicious transactions. The Group believes that greater use of these new techniques should be encouraged.

57. Several international organizations and regional arrangements are now actively engaged in combating the financing of terrorism. This includes the Financial Action Task Force on Money Laundering (FATF), whose money-laundering mandate was expanded following the attacks of 11 September to include terrorist financing. FATF has issued new international standards to combat terrorist financing, including eight recommended measures aimed at denying al-Qa'idah and other terrorist groups and their supporters access to the international financial system (see annex VI). FATF members were also asked to complete self-assessment questionnaires to determine how well these recommendations are being implemented. At its February 2002 plenary, FATF called upon all non-FATF member jurisdictions to undertake this self-assessment approach and to submit responses to FATF by June 2002. At its June 2002 plenary, FATF extended the deadline to 1 September 2002. The mandate of the FAFT Terrorist Financing Working Group states that it will:

> "Identify countries, in coordination with the United Nations Security Council Counter-Terrorism Committee, that require follow-up assessments and/or technical assistance in order to come into compliance with the Eight Special Recommendations."

The Group recommends that the Committee encourage all Member States to comply with these recommendations and to participate in this self-assessment exercise.

58. An international cooperative network of national financial intelligence units known as the Egmont Group is also engaged in helping to combat money-laundering and terrorist financing. Since 11 September, the Egmont Group, which now numbers 69 countries, has taken steps to enhance counter-terrorism efforts by promoting greater sharing and analysis of intelligence and information, particularly as it relates to financial transactions. The Egmont Group also has helped foster joint strategic studies of money-laundering vulnerabilities. The Group believes that the Egmont Group can serve as an effective clearing house for disseminating and vetting suspicious transaction reports, particularly as they may relate to terrorism financing.

59. One of the essential tools in the combat against terrorism financing has been the expansion of the suspicious transaction reports issued by banks and other financial institutions. These reports draw attention to specific transactions that should be looked at more closely to determine their legitimacy or possible ties with money-laundering, criminal activity or terrorism. The reports can be reviewed by financial intelligence units established in each State against a background of information from other sources, and additional information can be obtained from financial intelligence units in other countries. While the Egmont Group now works on the basis of cooperation through bilateral channels, the Group believes that the results of such investigations should be maintained in a database that could be available to all financial intelligence units participating in the Egmont Group, with due regard paid to privacy concerns and commercial confidentiality requirements.

60. While much of al-Qa'idah's related funds and property have still gone undetected, it has become increasingly difficult for Osama bin Laden, al-Qa'idah and their direct associates to gain access, or to openly

[9] The difference between money-laundering and the financing of terrorism is that moneys used to fund terrorist activities are not necessarily illegal. Assets and profits acquired by legitimate means and even declared to tax authorities can be used to finance terrorist acts as well.

use, these funds, property or resources. This has led the organization increasingly to rely on covert, indirect and alternative methods to hold, access, transfer and use its funds.

61. Al-Qa'idah is believed to have transferred a portion of its exposed assets from the financial sector to untraceable precious commodities even before the 11 September strikes. This process reportedly began as early as 1998 when certain freezing actions were initiated in the United States and by some European Governments against the Taliban. This reportedly included transfers into such assets as gold, diamonds and other precious stones. These precious commodities are small and easy to store and transport. They hold their value over time. They can also be released in small quantities in the market without arousing attention. The Group continues to investigate this activity but has so far been unable to obtain any additional information concerning these types of transactions.

62. With increasing attention and oversight being placed on banks and other traditional financial institutions, al-Qa'idah is believed to rely now even more heavily on *hawala* or other alternative remittance systems to transfer value to meet its financial needs. The *hawala* system has become particularly important for those members of al-Qa'idah who have been identified in the United Nations list. They will likely use the *hawala* system to circumvent the regular banking system and possible detection via suspicious transaction reports. This has reportedly become standard practice to avoid having their transactions provide a means to better trace their whereabouts or the location of other assets and resources. For these reasons government authorities and regional organizations are increasing their vigilance regarding suspected *hawala* operations.

63. *Hawala* networks have long fed into traditional, Islamic and other informal banking systems throughout the world and have been used as a tool for commodity trading in South-East Asia.

64. Members of the Group attended the International *Hawala* Conference, hosted by the Government of the United Arab Emirates in Abu Dhabi on 15 and 16 May 2002. More than 300 government officials, bankers, lawyers, representatives of law enforcement agencies and customs officials from 58 countries participated in the Conference.

65. The main objective of the Conference was to provide a better understanding of *hawala* and other alternative remittance systems and to ensure that money launderers and financiers of terrorism do not abuse those systems. Most of the participants agreed that the *hawala* systems have many positive aspects and that most of the activities conducted by the *hawaladars* (*hawala* operators) relate to legitimate business. *Hawala* provides a fast, secure and cost-effective method for worldwide remittance of money or transfer of value. Experts estimate that more than $200 billion per year flows through this industry.

66. However, the conference participants also raised concerns about *hawala* and other alternative transfer systems, noting that a lack of transparency and accountability as well as the absence of governmental supervision presents the potential for abuse by criminal elements, including terrorism.

67. The members of the Group attending the Conference in Abu Dhabi noted a reluctance on the part of many of those present to see the *hawala* systems regulated. However, the Group believes that *hawala*, in many of the countries where it is tolerated, particularly those where exchange controls exist, is actually illegal. This situation is aggravated by the lack of transparency and accountability and the absence of governmental supervision or audit requirements, regulations or the maintenance of records.

68. The Group is encouraged to note that some States have introduced controls to regulate *hawala*. Other States are also considering similar measures. Some are considering restricting *hawala*-like transfers to authorized financial institutions. Others are looking into ways by which the more formal bank transfer mechanisms could be made more competitive compared with *hawala* operations. Banks adhering to the Wolfsberg principles (see annex V) have indicated that they are committed to restricting their business relationships with remittance businesses, exchange houses, *casas de cambio*, *bureaux de change* and money transfer agents which are not subject to appropriate regulation, aimed at preventing such activities and businesses from being used as a conduit to launder the proceeds of crime and/or for the financing of terrorism.

69. At the close of the Conference the participants agreed that:

- Countries should adopt the 40 recommendations of the Financial Action Task Force on money-laundering and the eight special recommendations on terrorist financing in relation to remitters, including *hawaladars* and other alternative remittance providers.
- Countries should designate competent supervisory authorities to monitor and enforce the application of these recommendations to *hawaladars* and to other alternative remittance providers.
- Regulations should be effective but not overly restrictive.
- The close support and unwavering commitment of the international community are required to combat money-laundering and terrorist financing.
- The international community should remain seized of the issue and should continue to regulate the *hawala* system for legitimate commerce and to prevent its exploitation or misuse by criminals and terrorist groups.

70. The Group recommends that countries designate competent supervisory authorities to monitor and enforce the application of the recommendation of the FATF to *hawaladars* and other alternative remittance systems. The Group also recommends that an international organization such as the International Monetary Fund or FATF should remain seized of the issues and should continue to work with Member States to regulate the *hawala* system to prevent its exploitation or misuse by terrorists.

C. Travel ban

71. In paragraph 2 (b) of resolution 1390 (2002), the Security Council decided that States shall take measures to "prevent the entry into or the transit through their territories" of individuals on the United Nations list. All individuals whose names appear on the list are barred from travelling to and through States.

72. Nevertheless, the Group is aware that members of al-Qa'idah and the Taliban, including those that feature on the list, are continuing to move undetected across international boundaries, particularly in the areas adjacent to Afghanistan. Controlling the borders of Afghanistan with its neighbouring countries has proved to be a difficult task. Al-Qa'idah and Taliban members have sought hideouts and shelter in neighbouring countries, to transit these countries in order to reposition themselves, or to return to their places of origin. Several States have provided resources to help counter this activity. This has included stepped-up surveillance along some of the borders of Afghanistan and the stationing of naval assets in the Arabian Sea and adjacent waters to interdict transit. There are also reports that al-Qa'idah members have sought to enter Europe using well-established illegal immigration routes, including those extending from Central Asia, as well as from Turkey and the Balkans into the rest of Europe.

73. The Group met with officials in several European countries responsible for visa and border control measures. The Group was informed that strict visa controls were being implemented for persons travelling to Europe from areas of concern. The Group was informed that the United Nations list had been widely distributed to consular authorities and that the visa-issuing process provided an effective "outer ring shield" to keep those persons from travelling into the European region. However, several officials noted that it was very unlikely that designated individuals would use their own names if they had been included in the list.

74. The Group notes that in some Arab States it is possible to change one's name through local courts, which may not have access to the list. The Group is also aware that al-Qa'idah uses false identification and travel documents.[10] This underscored the need for additional identifying and other information concerning such listed persons. It is also important that border control officials be given adequate resources, training and technology to improve their ability to detect falsified documents.

75. The Group also visited a number of border entry points and observed and discussed the procedures being used to control entry. This included checking to determine if names on the list actually appeared in the

[10] It was reported by the *Washington Post* on 13 July 2002 that "a number of al-Qa'idah suspects being interrogated at the naval base at Guantanamo Bay, Cuba, were captured with counterfeit personal documents". Similarly an article in the *Seattle Times* reported on 29 May 2002 that Abdelkader Mahmoud Es Sayed, suspected top al-Qa'idah operative in Italy, allegedly commanded a network that specialized in providing forged documents".

controlled persons databases used by border officials. This produced mixed results. There appear to be a number of reasons for this situation.

76. Several States informed the Group that their border controls rely on national watch lists, in conjunction with bilateral notifications and information provided by Interpol and Europol. In some cases this does not include all of the names contained in the United Nations list. Many of those States indicated that they were unable to include some of the names from the list because of a lack of minimum required identifiers. This situation also impacts on the Schengen Information System (SIS), which currently contains only around 40 of the 219 names of individuals who appear on the list.

77. A number of States indicated that guidance was necessary regarding actions to be taken in the event that individuals named on the list sought entry or were found transiting their territory. It was unclear from the resolution, they said, whether such persons should simply be denied entry or apprehended. This posed a dilemma as both the State of entry and the State of departure were under an obligation to prohibit entry or transit unless they were nationals of either State.

D. The arms embargo

78. The monitoring of the arms embargo remains the most complex and challenging task assigned to the Group. The prevailing secrecy in illicit arms transfers makes it difficult to identify the actors involved and the services they provide. Moreover, the arms embargo contained in resolution 1390 (2002) is not confined to a specific territory but to the al-Qa'idah organization, the Taliban and other individuals, groups, undertakings and associated entities, irrespective of their geographical location. A number of the designated individuals and groups to which the embargo applies are members of terrorist groups recognized as being linked with al-Qa'idah. These include: Armed Islamic Group of Algeria (GIA), Groupe Salafiste pour la Prédication et le Combat (GSPC), Abu Sayyaf Group, Islamic Army of Aden, Islamic Movement of Uzbekistan, Libyan Islamic Fighting Group and Army of Mohammed. The great majority are scattered all around the world and have gone underground.

79. In monitoring the arms embargo, the Group has adopted a twin-track approach. The first deals with the al-Qa'idah members and the Taliban who are reported to be in the areas between Paktia Province of Afghanistan and the North-West Frontier Province of Pakistan, while the second focuses on al-Qa'idah cells and associated entities located in other parts of the world.

80. The Group is aware that remnants of the Taliban have joined al-Qa'idah fighters and constitute a potent force. This force continues to engage the coalition forces in guerrilla skirmishes, posing a major threat to the whole region.

81. Numerous reports recently circulated through open sources and official statements indicate that al-Qa'idah and Taliban members, mainly present along the border area that separates Afghanistan from Pakistan, continue to receive new weapons and ammunition.[11]

82. Although it has been reported that Afghanistan is awash with large amounts of weapons and ammunition, it appears that the majority are not really usable. The bulk of the weapons, ammunition and equipment found so far by the coalition forces in Afghanistan appear to be old, dating from the Soviet era of the Afghan conflict. Also, it should be noted that the storage facilities used to keep them have been less than ideal. In fact, most of the weapons caches discovered by coalition forces were of such poor quality that they had to be destroyed. Only a fraction of the remaining weapons and ammunition believed to be available to al-Qa'idah and the Taliban fighters are of acceptable quality. It is unlikely that they are able to rely on such marginal quantities of usable weapons and ammunition to sustain their fight against the coalition forces in Afghanistan. It is therefore clear that they are seeking and receiving new weapons and ammunition.

83. During meetings held with various government agencies, the Group was informed about possible supply routes and places where weapons and ammunition could easily be obtained. Some of these places are well known for weapons smuggling

[11] Statement by Donald Rumsfeld, American Secretary of Defense, during an interview with editors and reporters from the *Washington Times*, 27 June 2002: "We have recently discovered some new stuff that is not old and is modern ... there's still more money and more new things coming in." Similarly, Paul Welsh, on patrol with the British Royal Marines in Afghanistan, stated, as reported by the BBC on 15 May 2002: "I saw new ammunition."

activities. They can be found in the Horn of Africa, African States that have been recently at war (Sierra Leone, Liberia and Angola), as well as the Middle East, from the Balkans to the Black Sea, Central Asian States, South America in the area under control of the Fuerzas Armadas Revolucionarias de Colombia (FARC) and in the tri-border area (where the borders of Argentina, Brazil and Paraguay meet), Asia with mainly Pakistan and the countries forming the Golden Triangle (Myanmar, Thailand, Cambodia).

84. The Group is concerned at reports that weapons are flowing to al-Qa'idah-related groups in South-East Asia. Arms traffickers in the Golden Triangle are known to provide weapons and ammunition to groups that are linked with al-Qa'idah such as Abu Sayyaf or the Moro Islamic Liberation Front (MILF) in the Philippines, Jemaah Islamya in Indonesia and other South-East Asian countries. According to these reports, Cambodian traffickers have also been funnelling various kinds of weapons to dissident militant groups such as Laskhar-e-Tayyaba, a group known to have al-Qa'idah ties. There have been a number of events recently which indicate the prominence of Karachi as a possible hub for al-Qa'idah-related groups and it is impossible to ignore the possibility of them receiving logistic support, including arms and ammunition.

85. It must be stated, however, that the inclusion of this information in the present report does not mean that the governmental authorities of the countries mentioned are involved in such trafficking. It only indicates the places where the international networks of weapons smugglers are known to be most active, despite the efforts of the local governmental authorities to try to monitor and eradicate them. The Group has not yet been able to cross-check any of this information, save what it has been told by various governmental agencies, its contacts with experts in this field and what it has obtained from open sources.

86. Despite numerous requests, to date, the Group has received little specific information from States it consulted regarding date and batch numbers of the weapons and ammunition recently found in Afghanistan. Some States view this information as classified data and have not been willing to share it with the Group. This has hampered the work of the Group in this regard.

87. Within the context of monitoring the arms embargo, large weapons systems are at times easier to trace. However, the same does not apply to small arms, small quantities of ammunition and explosives used in urban centres by groups engaged in terrorist activities. In this case, the main source of the weaponry, ammunition and explosives used by the various terrorist groups comes from illicit arms trade, usually financed by petty crime and also, though less common, the legal acquisition of weapons and military equipment. In this regard, the Group is of the opinion that, as much as possible, States should implement more stringent rules on firearms regulations, acquisition of weapons, ammunition, explosives and certain dual-use items to ensure that they are banned from public access and are only accessible to law enforcement and government agencies.

88. The Group continues to be concerned that there are too many countries in which brokers are able to operate freely without being registered. Equally worrisome is the fact that it is nearly impossible to determine what percentage of illicit arms deals are brokered, how many brokers operate in today's world or what is the overall significance of brokering in illicit arms deals. In this regard, the Group refers to the definition of "broker" and "brokering activities" as found in the International Traffic in Arms Regulations (ITAR) of the United States Department of State, where a broker is defined as any person who acts as an agent for others in negotiating or arranging contracts, purchases, sales or transfers of defence articles and defence services in return for a fee, commission or other consideration. In the same manner, brokering activities cover acting as a broker as defined above including the financing, transportation, freight forwarding or taking of any other action that facilitates the manufacture, export or import of a defence article or defence service, irrespective of its origin.

89. Regarding the States whose legislation does not yet require the registration of arms brokers and a close follow-up of their activities, the Group recommends the adoption, as soon as possible, by those States of adequate regulations to cover the registration and regulation of arms brokers.

90. The Group recommends that unregistered international arms dealers should be considered as operating illegally and barred from performing any kind of activity in the arms industry and that States should impose adequate penalties.

91. The Group also encourages States to work towards setting up an international convention on the registration of arms brokers and the suppression of unlicensed arms brokering. The initiative was last suggested during the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, held in July 2001. The Group is of the opinion that the model drafted by The Fund for Peace is an excellent model and may provide a starting point for further discussions.[12]

92. The Group has also asked some States to provide their lists of registered arms brokers in order to help in the establishment of a register of all known arms dealers. This would facilitate the identification of the non-registered ones, keeping in mind that the world of arms brokers is relatively small: the same names are always appearing. To date, replies from States have not been received.

93. The Group believes that there are three essential elements to assuring the bona fides of any arms transactions: (a) accountability of the seller and the purchaser; (b) the use and verification of end user certificates; and (c) the registration and monitoring of all parties concerned. The Group remains concerned that there is still no agreement on what constitutes transfer of ownership with regard to arms sales except when it has been clearly defined in the contract. This is an essential element in ensuring full accountability of those who are engaged in arms transactions. The Group recommends that all contracts for arms and arms-related transactions clearly define when the ownership of the items is transferred from the seller to the buyer.

94. Some of the Group's interlocutors raised the concern that the controls on transiting goods are very limited, especially if one considers the magnitude of goods transported on a daily basis. In most cases, since the goods are shipped under customs consignment, only a hasty control of the shipping documents is carried out. In such cases, effective control is easier said than done. The most effective and affordable solution is a careful scrutiny of the shipment documents, including the end user certificate, especially when the final destination of the consignment is in close proximity to countries in conflict. In case of doubt as to the authenticity of the documents, the Group reiterates that the best approach is to verify with competent local authorities as well as with the diplomatic representatives of the countries in question. Until those verifications are done, the cargo must be withheld.

95. Moreover, all those involved in an arms sales contract must be dully registered and their references have to be communicated to the respective authorities in the countries involved prior to the delivery of the goods as well as the shipping route of the cargo and the transiting countries.

96. Although the Group is conscious that arms embargoes are by no means 100 per cent effective, the measures described above, if adopted, would certainly hamper the methods used by illegal arms traffickers supplying groups involved in terrorist acts. These measures would make them more vulnerable to the coordinated actions of governmental and law enforcement agencies.

97. However, the threat posed by al-Qa'idah is not restricted to conventional weapons. In its previous report (see S/2002/571), the Group recorded its concern that al-Qa'idah might have been trying to obtain or at least acquire the know-how and the means to manufacture weapons of mass destruction. In this context some types of weapons of mass destruction are an attractive option for terrorists. They are easy to manufacture, to store and to transport. They can also be difficult to detect. Nonetheless, to have a significant effect over a large population, such weapons must be produced in large quantities. This requires a large capital investment and significant technical knowledge.

98. There are reports that al-Qa'idah has attempted to acquire unspecified chemical weapons and biological agents such as botulinium toxin, plague and anthrax from various illicit sources. In the reports, al-Qa'idah is said to have produced small quantities of cyanide gas at a crude research lab in Darunta, near the eastern Afghan city of Jalalabad. Besides cyanide gas, al-Qa'idah may have also experimented with other crude poisons such as chlorine and phosgene.

[12] Model Convention on the Registration of Arms Brokers and the Suppression of Unlicensed Arms Brokering prepared for the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, New York, 9-20 July 2001, by The Fund for Peace, Washington, D.C.

99. Perhaps the most sinister indicators of al-Qa'idah's intentions are references contained in the "Encyclopaedia of Jihad", the al-Qa'idah manual, some specific parts of which are dedicated to biological and chemical warfare. The NATO parliamentarians, at their meeting in Brussels on 3 May 2002 on chemical and biological terrorism, reinforced this concern in their statement that "there is no doubt that terrorist groups such as al-Qa'idah are actively engaged in efforts to acquire biological, chemical and radiological weapons for use in terrorist attacks". Together with the recent presentation by CNN of some videotapes discovered in Afghanistan showing the alleged al-Qa'idah experiments on dogs, the planning by Moroccans connected to al-Qa'idah to possibly inject cyanide into water pipes running to the United States Embassy in Rome adds credence to these horrific intentions.[13] The Group is continuing to follow lines of inquiry with respect to weapons of mass destruction.

D. Analysis of "90-day" reports submitted by States pursuant to resolution 1390 (2002)

100. By paragraph 6 of Security Council resolution 1390 (2002), all States were requested to report to the Committee, by 16 April 2002, on the measures they had effectively taken with respect to Osama bin Laden, members of the al-Qa'idah organization, members of the former Taliban regime, and individuals, groups, undertakings and entities associated with the Taliban and al-Qa'idah whose names appear on the list. In that connection, the Chairman of the Committee transmitted a note to all States drawing their attention to the contents of the above-mentioned paragraph and attaching guidelines to assist them in preparing their replies.

101. The Group has reviewed all reports the Committee has received as of 15 August 2002. The Group reviewed the reports in the light of the guidelines prepared by the Committee, particularly those contained in paragraphs 3 (Dates for submission of reports), 4 (Content) and 5 (Information submitted to the Counter-Terrorism Committee).

102. The Group found that the Counter-Terrorism Committee reports were valuable tools, especially in helping to determine whether the legislative framework needed to implement the measures referred to in paragraph 2 of resolution 1390 (2002) were in place. In some cases, the Group also contacted government representatives, either through their permanent missions based in New York or during its travels to corroborate the information and to clarify doubts, as well as to gain a deeper understanding of how they were actually implemented on the ground.

Paragraph 3 of the guidelines

Dates for submission of reports

... Paragraph 6 of resolution 1390 (2002) calls upon all States to report to the Committee no later than 90 days from the date of adoption of that resolution on the implementation of the mandatory measures contained therein. States are therefore requested to submit their reports by 16 April 2002 ...

103. By 12 August 2002, the Committee had received 70 reports from States (see annex VII for a list of States' replies). The number of responses indicates that States have, following the events of 11 September, brought into sharper focus the need, both at the national and international levels, to renew their efforts to fight those sponsoring terrorist activities. The Group is appreciative that most States have adhered to the guidelines prepared by the Committee. This has helped the Group considerably in its analysis of the situation. The Group recommends that the Committee take action to encourage those States which have not yet complied with paragraph 6 of the resolution to submit their reports.

Paragraph 4

Content

– *In compiling their reports, States should aim to provide clear and substantive information. In addition, the Committee would appreciate it if reports were as factual and complete as possible. In particular, States should indicate:*

> *All legislative and/or administrative measures they have taken in order to freeze the funds and other financial assets or economic resources of the individuals, groups, undertakings and entities contained in the list created pursuant to resolutions*

[13] See footnote 3.

1267 (1999) and 1333 (2000) including funds derived from property owned or controlled, directly or indirectly, by them or by persons acting on their behalf or at their direction, and to ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly, for such persons' benefit, by their nationals or by any persons within their territory; ...

104. The great majority of reporting States indicated that they had taken steps to ensure that they had authority through legislation, executive decree or administrative regulation to comply with Security Council resolution 1390 (2002). Some of them indicated that they did not possess specific legislation to regulate the implementation of Security Council resolutions. In most of those cases, it was pointed out, a draft law was either under discussion or had been elaborated to address this shortcoming. Notwithstanding the variation in legislation, in general, reporting States noted that they recognized the binding nature of Security Council resolutions and specifically the measures contained in paragraph 2 of resolution 1390 (2002).

105. While some States indicated they had adopted executive decrees to implement all the provisions of resolution 1390 (2002), others had set up inter-ministerial committees to analyse and evaluate to what extent their legislation was in line with international conventions and the more specific requirements of the resolution. On occasion copies of the decrees were included as annexes.

106. In some reports, States provided an explanation of the means available to the country's legal system to comply with and to prevent and punish non-fulfilment of the measures indicated in paragraph 2 (a) of the resolution. A number of States reported that they did not have administrative provisions to confiscate assets linked to criminal activities and that measures taken to freeze assets and financial resources required a judicial order issued by the courts in accordance with the relevant provisions and established authority.

107. Several States informed the Committee that their relevant authorities had drafted laws on amendments to their criminal codes to include penalization of acts related to the financing of terrorist activities, drafts defining the measures against the financing of terrorism, the organization and control required for their implementation and the administrative and legal responsibility in case of breaches of the law as well as a legal definition of terrorism.

108. In some cases, States reported that, pending promulgation of the legislation under discussion, it had nonetheless been possible to adopt the necessary measures on the freezing of the funds and other financial assets or economic resources of the designated entities and persons.

109. A number of States have enacted decrees to implement and/or to tighten anti-money-laundering legislation. Other measures reported included the establishment of regulations to identify customers and the determination of suspicious transactions as well as requirements to report them. Some States have enacted new legislation that subjects an array of financial institutions and businesses to more stringent auditing and reporting requirements, restrictions concerning shell banks and the monitoring of transactions with banks in certain foreign countries.

(Para. 4 ...)

– *If the authorities of a State have identified and frozen funds and other financial assets or economic resources of the individuals, groups, undertakings and entities contained in the list, they should indicate to the Committee relevant information such as types of assets frozen, account numbers and monetary value of the assets frozen;*

110. The majority of reporting States indicated that no assets had been identified. Many States, however, provided no indication as to whether assets had been found or frozen. Only a few provided information on the nature and monetary values of the assets frozen and, with exception of a few reports, a distinction as to types of assets was not provided. No account numbers were made available. Some reports stated that persons with identical or similar names to those on the list had been identified, but investigations proved that those identified by the banks were not the ones on the list. In some of these instances the assets were frozen temporarily pending the result of the investigations.

111. The Group believes that all States should ensure that adequate and appropriate legislation is in place to act with the urgency required to carry out their

obligations under paragraph 2 of resolution 1390 (2002).

(Para. 4 ...)

– *All measures they have taken to prevent the entry into or the transit through their territories of these individuals;*

112. In addition to existing legislation on immigration-related matters and within the framework of border controls and transit and entry of aliens, several countries have reported that they have either adopted stricter rules or are planning on revamping the current laws. Other measures reported include improved procedures for entry visa and visa extension applications; setting up evaluation systems to control the flow of foreign citizens; reinforcement of the border patrol forces; propping up of control over the issuance of identification documents, especially for foreign citizens residing in the country; as well as adoption of methods to strengthen the protection of sites such as nuclear power plants, airports, railway stations and other places of mass public access. A few States announced they were in the process of adopting newly designed travel documents and foreign residents' cards with distinctive markings and methods of recognition and prevention of forgery.

113. Some States, especially those sharing a common border with Afghanistan, have informed the Committee that they have reinforced their personnel and equipment at the entry points to prevent illegal entry and have adopted strict visa requirements. On a number of occasions these actions resulted in confiscation of forged travel documents and the arrest of members of the former Taliban regime.

114. Several members of the Schengen Agreement group of countries indicated that the coordination of visa controls no longer falls within national jurisdiction, but is done through the SIS. States also noted that they have not been able to include names in the SIS because a great number of them do not meet the minimum requirements for inclusion in the SIS, that is, date or at least year of birth. Meanwhile, they also noted that, pending operational adaptations of the system to accommodate the fact that the majority of names contained in the list could not be entered into the SIS, they were considering or had introduced measures at the national level to rectify this.

(Para. 4 ...)

– *All measures they have taken to prevent the direct or indirect supply, sale and transfer to these individuals, groups, undertakings and entities from their territories or by their nationals outside their territories, or using their flag vessels or aircraft, of arms and related materiel of all types including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts for the aforementioned and technical advice, assistance or training related to military activities;*

115. The bulk of the reports indicate that States have laws regulating the acquisition, possession and manufacture of weapons, ammunition and explosives as well as control of exports of dual-use items, transfer of technology, technical advice, assistance and training related to military activities, in addition to penalties in case of breach of the laws. Most of the legislation cited mentions primarily the sale and transfer of weapons, ammunition and technology to States. Some also notified the Committee that, as per information from the competent authorities, no sale or transfer of weapons and ammunition to those on the list had been recorded. Various reports expressed the support for the use of genuine end user certificates, which reflects the real destination of the goods in question.

(Para 4 ...)

– *The Committee would in addition welcome the submission of information regarding implementation by States of paragraph 8 of resolution 1390 (2002), which invites States to report on investigations and enforcement actions related to States' efforts to enforce and strengthen the measures imposed under domestic laws or regulations to prevent and punish violations of the sanctions mentioned above;*

116. As concerns investigations and enforcement actions, several States indicate they are in the process of or have enacted laws establishing regimes to punish those responsible for violating Security Council imposed measures.

117. On the whole it appears that countries have either designed plans of action or established inter-ministerial working groups tasked with the elaboration and implementation of the national strategy on anti-terrorism. Special working groups have also been set

up to collect and analyse information received by the police and to coordinate and improve the efficiency of interaction between the various State agencies. Also, a number of States have established units attached to the Office of the Public Prosecutor with the specific function of monitoring the investigation of crimes linked to terrorism.

118. Some States provided the Committee with an update on ongoing investigations on cases dealing with money-laundering, the confiscation of counterfeit documents and arrests. Some States have also indicated that they have designated an administering agency, usually the Ministry of Foreign Affairs, as the organ responsible for coordinating the implementation of measures required by paragraph 2.

(Para. 4 ...)

– *States may include in their reports any additional relevant information. They may also include general observations on the implementation of the resolution, and any problems encountered.*

119. Only about a fifth of the reporting States provided additional information that might be useful to the Committee in determining further actions. The majority pointed out problems concerning the identification of individuals and entities on the list. Some States indicated that they had contacted the Committee requesting additional information on some of the names on the list, while others noted that additional information was crucial to facilitate the search by financial institutions and identifications by border control personnel.

120. No cases of violations were reported.

Paragraph 5

Information submitted to the Counter-Terrorism Committee

– *The Committee is aware that in the reports that States have submitted to the Counter-Terrorism Committee they may have already presented information relevant to the mandate [of the Security Council Committee established pursuant to resolution 1267 (1999) concerning Afghanistan]. In order to avoid duplication, States may signal in their reports if they have presented relevant information to the Counter-Terrorism Committee. Pursuant to resolution 1390 (2002), the "1267 Committee" will cooperate with other sanctions committees and the Counter-Terrorism Committee.*

121. The overwhelming majority of States did signal that they had presented relevant information to the Counter-Terrorism Committee. In some cases, a summary of the information was provided.

IV. Conclusions

122. Despite having lost its physical base and training facilities in Afghanistan, al-Qa'idah continues to pose a significant international threat. This is in part due to its loose worldwide structure and its ability to work with, and from within, militant Islamic groups in numerous countries. Many of these extremist elements look to Osama bin Laden and the al-Qa'idah leadership for inspiration, and sometimes also for financial and logistic support.

123. The shape and structure of al-Qa'idah, and the absence of any centralized, tightly knit command and control structure make it extremely difficult to identify and scrutinize its individual members and component entities. In recent months, successful inroads have been made against al-Qa'idah and some of its associates and associated entities. Nonetheless the organization remains intact. It has reconstituted itself and gained new recruits. It continues to have access to finance and arms. Al-Qa'idah is fully capable of striking again how, when and where it chooses.

124. At the current stage of the campaign against al-Qa'idah, there is no room for complacency. On the basis of past events and knowledge now available, it must be expected that al-Qa'idah is planning further attacks. Consequently all members of the United Nations need to redouble their efforts, both as individual States and collectively, in a concerted and sustained manner in order to bring to bear every legal means possible to fight this scourge to international peace and security.

125. The following are the steps the Group believes, if taken, will reinforce the implementation of resolution 1390 (2002) and contribute significantly to the fight against al-Qa'idah.

V. Recommendations

The United Nations consolidated list

126. The United Nations consolidated list should be used by all States as an authoritative and key reference document for the implementation of the measures contained in paragraph 2 of resolution 1390 (2002) (the blocking of financial and economic resources, the travel ban and an arms embargo). It should be disseminated as widely as possible to all competent authorities including but not limited to financial institutions, border control authorities, arms control authorities, and administrative and judicial departments responsible for the identification of individuals, including the changing of names.

127. Implementation of the measures contained in paragraph 2 of resolution 1390 (2002) should be carried out within the context of other Security Council resolutions, including resolution 1373 (2001), to ensure that all appropriate measures are taken to freeze the assets and halt the travel of al-Qa'idah, the Taliban and those associated with them and inhibit their access to arms and munitions.

128. The list must be updated regularly by the Committee on the basis of specific and reliable information on all individuals or entities that have been identified as members of or as being associated with al-Qa'idah or the Taliban. All States should submit to the Committee for possible addition to the list the names and identifying information of all persons States have identified as members of or as being associated with al-Qa'idah or the Taliban, including, at a minimum, those persons arrested or detained by States on the basis of "due cause" to believe they are members of or associated with al-Qa'idah or the Taliban.

129. Names of persons or entities whose assets have been frozen by States on the basis of their membership or association with al-Qa'idah or the Taliban which currently do not appear on the list should also be submitted to the Committee for its consideration regarding their addition to the list.

130. States should seek to assist the Committee in better identifying individuals or entities already on the list and to provide to the Committee any additional identifying information at their disposal regarding such individuals or entities, particularly where insufficient identifying information is included in the list. This should include confirmation of the name as it appears on passport or travel documents; cases of dual nationality; date and place of birth; passport numbers for all known nationalities; and physical description or any other remarks which could help to identify the listed individuals.

131. The Committee should establish an appropriate mechanism capable of responding on a 24-hour basis to inquiries presented to the Committee concerning the identification of persons being detained as suspected members or associates of al-Qa'idah or the Taliban.

132. The Committee should ensure that all member Governments are aware of its guidelines for de-listing individuals and entities whose names should be removed from the list. The list should be reviewed by the Committee on a regular basis to ensure that it remains current.

133. All States should ensure that a sufficient legal basis is in place to act with the urgency required to carry out their obligations under paragraph 2 of resolution 1390 (2002).

Freezing of financial and economic assets

134. States should assist each other to the fullest extent possible in the investigation and sharing of intelligence and other information concerning individuals believed to be members of or associated with al-Qa'idah or the Taliban. Such action is particularly important in cases where such information is essential to either justify or maintain freezing actions against such persons or to exonerate such persons or entities from such action.

135. The Group recommends that, where information is requested by the Group concerning individuals and entities alleged to have links with al-Qa'idah and its associates, the bank secrecy rules and/or provisions should not, in these circumstances, be an obstacle to that information being made available on a very restricted basis to members of the Group.

136. The Committee should establish procedures regarding the possible granting of humanitarian exceptions to the measures imposed under paragraph 2 of resolution 1390 (2002).

137. States should review their laws and procedures regarding the regulation and oversight of charities to assure that adequate controls are in place to audit and monitor the disbursement of charitable funds and to

hold those managing the charities accountable regarding disbursements, programmes or actions which they know, or should have known, support al-Qa'idah or the Taliban. Adequate penalties should be imposed for violations of such practices and procedures.

138. All States should adopt the eight recommendations of FATF for the prevention of terrorist financing.

139. All banking institutions should be required to submit to appropriate national authorities, suspicious transactions reports, using as a basis the guidelines prepared by FATF for this purpose. Special financial investigation units should be established in all States now, where they do not exist, to receive and review such suspicious transactions reports. The units should be encouraged to incorporate the most advanced technology and analytical tools and to cooperate fully within the Egmont Group network.

140. Cooperation between financial investigation units should be enhanced, including consideration of the establishment of a centralized database to which the results of investigations pursuant to suspicious transactions reports can be submitted and maintained. Information in the database should be available to all participating States.

141. Banks and other financial institutions should be encouraged to install new transaction-link and filtering software and technology to help them identify suspicious transactions.

142. States should designate competent supervisory authorities to monitor and enforce the application of the FATF recommendations to *hawala* and other alternative remittance systems.

143. The Group recommends that an international organization such as the International Monetary Fund or FATF should remain seized of the issues of *hawala* and should continue to work with States to regulate the system in order to prevent its exploitation or misuse by terrorists.

Travel ban

144. States should ensure that their border control officials are given adequate resources, training and technology to improve their ability to detect falsified documents.

145. The Group recommends that the Committee issue guidelines to States on the action to be taken in the event that a designated individual attempts to enter or transit their territory.

Arms embargo

146. All States that have not yet done so should as soon as possible take steps to require the registration of all arms brokers dealing from their territories. This should include the registration of non-nationals as well as nationals.

147. Every State should adopt measures criminalizing the operation of non-registered arms brokers. Such brokers should be barred from performing any kind of activity related to arms transactions. Adequate penalties should be imposed. Consideration should be given to the drafting of an international convention for the suppression of illegal arms brokering activities.

148. International standards should be formulated to clarify rules pertaining to the transfer of ownership of arms consignments between the supplier and the recipient.

149. A registry should be maintained including the names of all persons involved in providing services related to arms transfers.

150. Strict use of end user certificates should be required.

151. Shipping routes of the arms consignment including carriage should be declared before shipment commences.

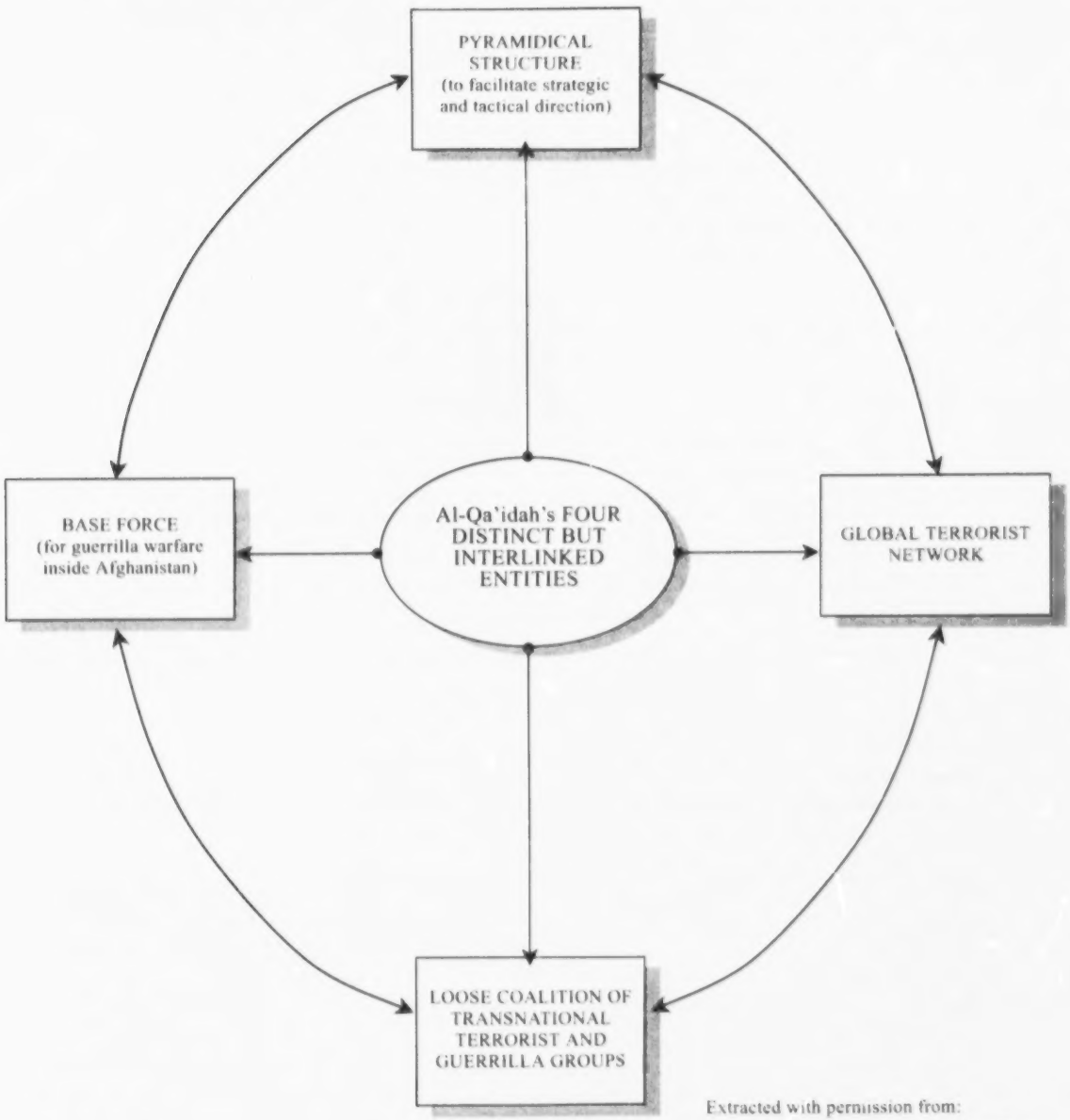
Analysis of "90-day" reports submitted by States

152. The Group recommends that the Committee take action to encourage those States which have not yet complied with paragraph 6 of resolution 1390 (2002) to submit their reports.

153. All States are encouraged to submit information to the Committee and the Monitoring Group concerning any changes or updates to their laws, regulations, procedures or activities which may affect their implementation of resolution 1390 (2002).

Annex I

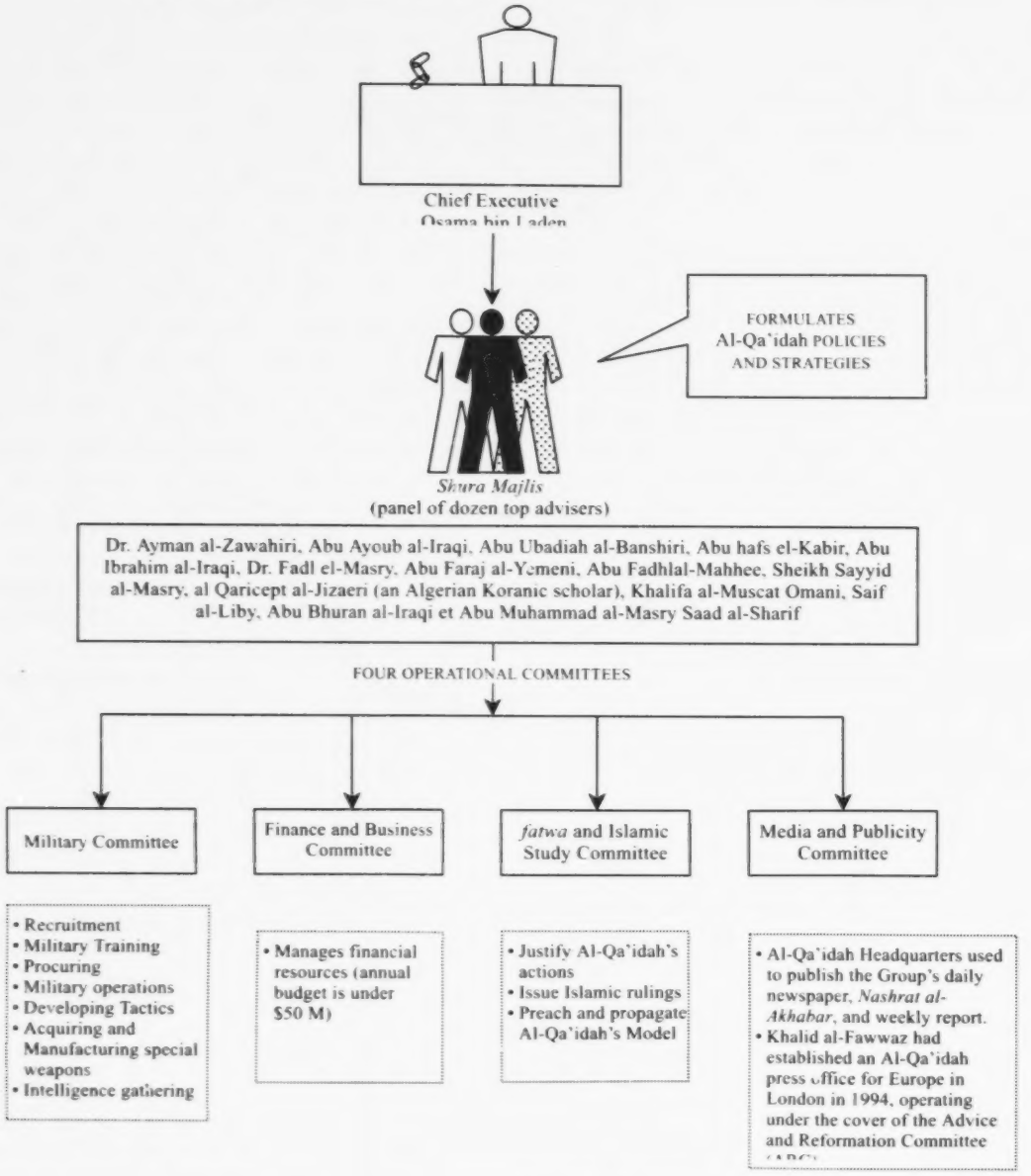
Al-Qa'idah network


PYRAMIDICAL STRUCTURE (to facilitate strategic and tactical direction)
BASE FORCE (for guerrilla warfare inside Afghanistan)
Al-Qa'idah's FOUR DISTINCT BUT INTERLINKED ENTITIES
GLOBAL TERRORIST NETWORK
LOOSE COALITION OF TRANSNATIONAL TERRORIST AND GUERRILLA GROUPS

Extracted with permission from:
Inside Al Qaeda: Global Network of Terror
by Rohan Gunaratna (Columbia University Press, New York)

Annex II

Al-Qa'idah pyramidical structure


Chief Executive
Osama bin Laden
FORMULATES
Al-Qa'idah POLICIES
AND STRATEGIES
Shura Majlis
(panel of dozen top advisers)
Dr. Ayman al-Zawahiri, Abu Ayoub al-Iraqi, Abu Ubadiah al-Banshiri, Abu hafs el-Kabir, Abu Ibrahim al-Iraqi, Dr. Fadl el-Masry, Abu Faraj al-Yemeni, Abu Fadhlal-Mahhee, Sheikh Sayyid al-Masry, al Qaricept al-Jizaeri (an Algerian Koranic scholar), Khalifa al-Muscat Omani, Saif al-Liby, Abu Bhuran al-Iraqi et Abu Muhammad al-Masry Saad al-Sharif
FOUR OPERATIONAL COMMITTEES
Military Committee
Finance and Business Committee
fatwa and Islamic Study Committee
Media and Publicity Committee
• Recruitment
• Military Training
• Procuring
• Military operations
• Developing Tactics
• Acquiring and Manufacturing special weapons
• Intelligence gathering
• Manages financial resources (annual budget is under $50 M)
• Justify Al-Qa'idah's actions
• Issue Islamic rulings
• Preach and propagate Al-Qa'idah's Model
• Al-Qa'idah Headquarters used to publish the Group's daily newspaper, Nashrat al-Akhbar, and weekly report.
• Khalid al-Fawwaz had established an Al-Qa'idah press office for Europe in London in 1994, operating under the cover of the Advice and Reformation Committee

Extracted with permission from: *Inside Al Qaeda: Global Network of Terror* by Rohan Gunaratna (Columbia University Press, New York)

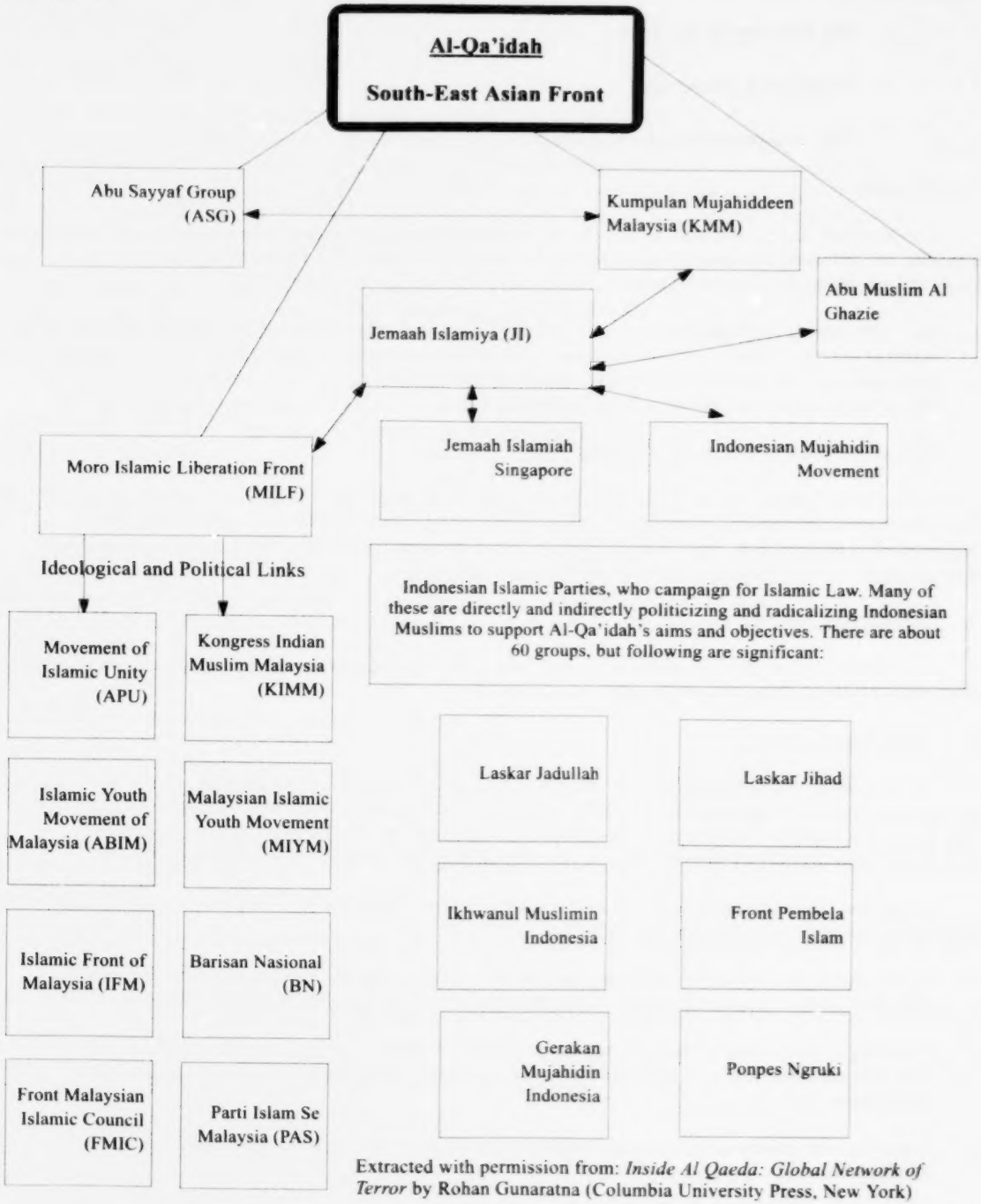
Annex III

Chronology of terrorist incidents after 11 September

22 December 2001	Richard Reid tries to ignite an explosive (C-4) hidden in one of his shoes aboard American Airlines flight 63 from Paris to Miami. Fellow passengers subdue him. The plane, escorted by military jets, lands safely in Boston (*attempt foiled*).
	Persons killed: none
December 2001	Thirteen members of Jemaah Islamiyah terror cell linked to al-Qa'idah are arrested in Singapore. They were reported to be planning to blow up the embassies of Australia, the United Kingdom, Israel and the United States (*attempt foiled*).
	Persons killed: none
23 January 2002	Kidnapping of Wall Street correspondent Daniel Pearl in Karachi, Pakistan.
	Persons killed: 1
17 March 2002	Islamic militants attack the Protestant International Church in Islamabad.
	Persons killed: 5
11 April 2002	A lorry loaded with gas bottles explodes near the historic Ghriba synagogue on the island of Djerba, Tunisia.
	Persons killed: 17
8 May 2002	A suicide bomber rams a car loaded with high explosives into a bus carrying French naval engineers outside a hotel in Karachi, Pakistan.
	Persons killed: 14
June 2002	Moroccan authorities announce that they have dismantled an al-Qa'idah cell in May 2002 by arresting three Saudi nationals who were reported to be planning to attack United States and British ships in the Strait of Gibraltar (*attempt foiled*).
	Persons killed: none
10 June 2002	United States Attorney General John Ashcroft announces that the Justice Department has broken up a plot by al-Qa'idah to detonate a radioactive ("dirty") bomb inside the United Sates by arresting an American citizen on 8 May 2002. Abdullah Al-Mujahir, also known as Jose Padilla, is detained at O'Hare International Airport in Chicago after flying there from Pakistan (*attempt foiled*).
	Persons killed: none

14 June 2002	A 200-pound bomb explodes outside the American Consulate in Karachi, Pakistan. Persons killed: 12
5 August 2002	Masked gunmen assault a Christian missionary school in Murree, Pakistan. Persons killed: 6
9 August 2002	Two assailants hurl powerful, home-made explosives (grenades) at a group of nurses leaving a chapel of a Presbyterian hospital in Taxila, Pakistan. Persons killed: 3

Annex IV


Al-Qa'idah
South-East Asian Front
Abu Sayyaf Group (ASG)
Kumpulan Mujahiddeen Malaysia (KMM)
Abu Muslim Al Ghazie
Jemaah Islamiya (JI)
Jemaah Islamiah Singapore
Indonesian Mujahidin Movement
Moro Islamic Liberation Front (MILF)
Ideological and Political Links
Indonesian Islamic Parties, who campaign for Islamic Law. Many of these are directly and indirectly politicizing and radicalizing Indonesian Muslims to support Al-Qa'idah's aims and objectives. There are about 60 groups, but following are significant:
Movement of Islamic Unity (APU)
Kongress Indian Muslim Malaysia (KIMM)
Islamic Youth Movement of Malaysia (ABIM)
Malaysian Islamic Youth Movement (MIYM)
Islamic Front of Malaysia (IFM)
Barisan Nasional (BN)
Front Malaysian Islamic Council (FMIC)
Parti Islam Se Malaysia (PAS)
Laskar Jadullah
Laskar Jihad
Ikhwanul Muslimin Indonesia
Front Pembela Islam
Gerakan Mujahidin Indonesia
Ponpes Ngruki

Extracted with permission from: *Inside Al Qaeda: Global Network of Terror* by Rohan Gunaratna (Columbia University Press, New York)

Annex V

Wolfsberg principles

Wolfsberg Statement

The Suppression of the Financing of Terrorism

1. Preamble

The Wolfsberg Group of financial institutions is committed to contributing to the fight against terrorism and is making the following statement to describe the role of financial institutions in preventing the flow of terrorist funds through the world's financial system.

This fight presents new challenges. Funds used in the financing of terrorism do not necessarily derive from criminal activity, which is a requisite element of most existing money laundering offences. Successful participation in this fight by the financial sector requires global cooperation by governments with the financial institutions to an unprecedented degree.

2. Role of Financial Institutions in the Fight Against Terrorism

Financial institutions can assist governments and their agencies in the fight against terrorism. They can help this effort through prevention, detection and information sharing. They should seek to prevent terrorist organizations from accessing their financial services, assist governments in their efforts to detect suspected terrorist financing and promptly respond to governmental enquiries.

3. Rights of the Individual

The Wolfsberg Group is committed to participating in the fight against terrorism in a manner which is non-discriminatory and is respectful of the rights of individuals.

4. Know Your Customer

The Wolfsberg Group recognises that adherence to existing "Know Your Customer" policies and procedures is important to the fight against terrorism. Specifically the proper identification of customers by financial institutions can improve the efficacy of searches against lists of known or suspected terrorists issued by competent authorities having jurisdiction over the relevant financial institution ("applicable lists").

In addition to the continued application of existing customer identification, acceptance and due diligence procedures, the Wolfsberg Group is committed to:

- Implementing procedures for consulting applicable lists and taking reasonable and practicable steps to determine whether a person involved in a prospective or existing business relationship appears on such a list.
- Reporting to the relevant authorities matches from lists of known or suspected terrorists or terrorist organisations consistent with applicable laws and regulations regarding the disclosure of customer information.
- Exploring with governmental agencies ways of improving information exchange within and between jurisdictions.

- Exploring ways of improving the maintenance of customer information to facilitate the timely retrieval of such information.

5. High Risk Sectors and Activities

The Wolfsberg Group is committed to applying enhanced and appropriate due diligence in relation to those of their customers engaged in sectors and activities which have been identified by competent authorities as being widely used for the financing of terrorism, such as underground banking businesses or alternative remittance systems. This will include the adoption, to the extent not already in place, of specific policies and procedures on acceptance of business from customers engaged in such sectors or activities, and increased monitoring of activity of customers who meet the relevant acceptance criteria.

In particular the Wolfsberg Group is committed to restricting their business relationships with remittance businesses, exchange houses, casa de cambio, bureaux de change and money transfer agents to those which are subject to appropriate regulation aimed at preventing such activities and businesses from being used as a conduit to launder the proceeds of crime and/or finance terrorism.

The Wolfsberg Group recognises that many jurisdictions are currently in the process of developing and implementing regulations with regard to these businesses and that appropriate time needs to be given for these regulations to take effect.

6. Monitoring

Recognising the difficulties inherent in identifying financial transactions linked to the financing of terrorism (many of which appear routine in relation to information known at the time) the Wolfsberg Group is committed to the continued application of existing monitoring procedures for identifying unusual or suspicious transactions. The Wolfsberg Group recognises that while the motive for such transactions may be unclear, monitoring and then identifying and reporting unusual or suspicious transactions may assist government agencies by linking seemingly unrelated activity to the financing of terrorism.

In addition, the Wolfsberg Group is committed to:

- Exercising heightened scrutiny in respect of customers engaged in sectors identified by competent authorities as being widely used for the financing of terrorism.

- Monitoring account and transactional activity (to the extent meaningful information is available to financial institutions) against lists generated by competent authorities of known or suspected terrorists or terrorist organizations.

- Working with governments and agencies in order to recognize patterns and trends identified as related to the financing of terrorism.

- Considering the modification of existing monitoring procedures as necessary to assist in the identification of such patterns and trends.

7. Need for Enhanced Global Co-operation

The Wolfsberg Group is committed to co-operating with and assisting law enforcement and government agencies in their efforts to combat the financing of terrorism. The Wolfsberg Group has identified the following areas for discussion with governmental agencies, with a view to enhancing the contribution financial institutions are able to make:

- The provision of official lists of suspected terrorists and terrorist organisations on a globally co-ordinated basis by the relevant competent authority in each jurisdiction.

- The inclusion of appropriate details and information in official lists to assist financial institutions in efficient and timely searches of their customer bases. This information should ideally include (where known) in the case of individuals: date of birth; place of birth; passport or identity card number; in the case of corporations; place of incorporation or establishment; details of principals; to the extent possible, reason for inclusion on the list; and geographic information, such as the location, date and time of the transaction.

- Providing prompt feedback to financial institutions on reports made following circulation of such official lists.

- The provision of meaningful information in relation to patterns, techniques and mechanisms used in the financing of terrorism to assist with monitoring procedures.

- The provision of meaningful information about corporate and other types of vehicles used to facilitate terrorist financing.

- The development of guidelines on appropriate levels of heightened scrutiny in relation to sectors or activities identified by competent authorities as being widely used for terrorist financing.

- The development by governments and clearing agencies of uniform global formats for funds transfers that require information which may assist their efforts to prevent and detect the financing of terrorism.

- Ensuring that national legislation:

    1. Permits financial institutions to maintain information derived from official lists within their own databases and to share such information within their own groups.

    2. Affords financial institutions protection from civil liability for relying on such lists.

    3. Permits financial institutions to report unusual or suspicious transactions that may relate to terrorism to the relevant authorities without breaching any duty of customer confidentiality or privacy legislation.

    4. Permits the prompt exchange of information between governmental agencies of different nation states.

The Wolfsberg Group supports the FATF Special Recommendations on Terrorist Financing as measures conducive to the suppression of the financing of terrorism.

(1) The Wolfsberg Group consists of the following leading international banks ABN Amro N.V., Banco Santander Central Hispano, S.A., Bank of Tokyo-Mitsubishi, Ltd., Barclays Bank, Citigroup, Credit Suisse Group, Deutsche Bank AG, Goldman Sachs, HSBC, J.P.Morgan, Chase, Société Générale, UBS AG and became known when they, together with Transparency International and Mark Pieth, agreed to a set of global anti-money-laundering guidelines for international private banks in October 2000. Wolfsberg is the location in Switzerland where an important working session to formulate the guidelines was held.

Annex VI

Financial Action Task Force on Money Laundering (FATF)

Special Recommendations on Terrorist Financing

Recognising the vital importance of taking action to combat the financing of terrorism, the FATF has agreed these Recommendations, which, when combined with the FATF Forty Recommendations on money laundering, set out the basic framework to detect, prevent and suppress the financing of terrorism and terrorist acts. For further information on the Special Recommendations as related to the self-assessment process, see the Guidance Notes.

I. Ratification and implementation of UN instruments

Each country should take immediate steps to ratify and to implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism. Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly United Nations Security Council Resolution 1373.

II. Criminalising the financing of terrorism and associated money laundering

Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences.

III. Freezing and confiscating terrorist assets

Each country should implement measures to freeze without delay funds or other assets of terrorists, those who finance terrorism and terrorist organisations in accordance with the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts.

Each country should also adopt and implement measures, including legislative ones, which would enable the competent authorities to seize and confiscate property that is the proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organisations.

IV. Reporting suspicious transactions related to terrorism

If financial institutions, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organisations, they should be required to report promptly their suspicions to the competent authorities.

V. International co-operation

Each country should afford another country, on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, the greatest possible measure of assistance in connection with criminal, civil enforcement, and administrative investigations, inquiries and proceedings relating to the financing of terrorism, terrorist acts and terrorist organisations. Countries should also take all possible measures to ensure that they do not provide safe havens for individuals charged with the financing of terrorism, terrorist acts or terrorist organisations, and should have procedures in place to extradite, where possible, such individuals.

VI. Alternative remittance

Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions.

VII. Wire transfers

Countries should take measures to require financial institutions, including money remitters, to include accurate and meaningful originator information (name, address and account number) on funds transfers and related messages that are sent, and the information should remain with the transfer or related message through the payment chain. Countries should take measures to ensure that financial institutions, including money remitters, conduct enhanced scrutiny of and monitor for suspicious activity funds transfers, which do not contain complete originator information (name, address and account number).

VIII. Non-profit organizations

Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused:

i. by terrorist organisations posing as legitimate entities;

ii. to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and

iii. to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

Annex VII

Reports submitted by States pursuant to resolution 1390 (2002) received as of 15 August 2002

Country	*Date submitted*	*Document symbol*
Algeria	15 April 2002	S/AC.37/2002/8
Andorra	4 June 2002	S/AC.37/2002/58
Argentina	16 April 2002 29 April 2002	S/AC.37/2002/22 S/AC.37/2002/22/Add.1
Australia	25 April 2002	S/AC.37/2002/41
Austria	17 June 2002	S/AC.37/2002/64
Azerbaijan	20 April 2002	S/AC.37/2002/50
Bahrain	16 May 2002	S/AC.37/2002/52
Belarus	5 April 2002	S/AC.37/2002/1
Brazil	16 April 2002	S/AC.37/2002/7
Bulgaria	16 April 2002	S/AC.37/2002/15
Canada	23 April 2002	S/AC.37/2002/42
Chile	16 April 2002	S/AC.37/2002/34
China	28 May 2002	S/AC.37/2002/55
Colombia	16 April 2002	S/AC.37/2002/20
Cook Islands	31 May 2002	S/AC.37/2002/70
Cyprus	15 April 2002	S/AC.37/2002/3
Czech Republic	15 April 2002	S/AC.37/2002/4
Democratic People's Republic of Korea	12 June 2002	S/AC.37/2002/62
Denmark	16 April 2002	S/AC.37/2002/14
Estonia	16 April 2002	S/AC.37/2002/21
Finland	29 May 2002	S/AC.37/2002/56
France	16 April 2002	S/AC.37/2002/19
Germany	15 April 2002	S/AC.37/2002/11
Guatemala	16 April 2002	S/AC.37/2002/33
Hungary	16 April 2002	S/AC.37/2002/36

Country	*Date submitted*	*Document symbol*
Iceland	28 June 2002	S/AC.37/2002/68
India	9 May 2002	S/AC.37/2002/47
Iran (Islamic Republic of)	1 July 2002	S/AC.37/2002/69
Ireland	14 May 2002	S/AC.37/2002/49
Italy	23 April 2002	S/AC.37/2002/35
Jamaica	21 May 2002	S/AC.37/2002/53
Japan	23 April 2002	S/AC.37/2002/37
Kazakhstan	14 May 2002	S/AC.37/2002/51
Latvia	16 April 2002	S/AC.37/2002/32
Lebanon	17 June 2002	S/AC.37/2002/65
Liechtenstein	24 June 2002	S/AC.37/2002/67
Madagascar	22 May 2002	S/AC.37/2002/54
Mali	13 June 2002	S/AC.37/2002/63
Malta	18 April 2002	S/AC.37/2002/30
Mexico	3 May 2002	S/AC.37/2002/46
Monaco	15 April 2002	S/AC.37/2002/24
Namibia	30 April 2002	S/AC.37/2002/45
Netherlands	25 April 2002	S/AC.37/2002/43
New Zealand	16 April 2002	S/AC.37/2002/9
Norway	17 April 2002	S/AC.37/2002/29
Pakistan	5 June 2002	S/AC.37/2002/59
Paraguay	17 April 2002	S/AC.37/2002/25
Peru	11 April 2002	S/AC.37/2002/26
Poland	16 April 2002	S/AC.37/2002/10
Portugal	16 April 2002	S/AC.37/2002/28
Republic of Moldova	16 April 2002	S/AC.37/2002/17
Romania	17 April 2002	S/AC.37/2002/23
Russian Federation	26 April 2002	S/AC.37/2002/39
Saudi Arabia	16 April 2002	S/AC.37/2002/31

Country	*Date submitted*	*Document symbol*
Singapore	16 April 2002	S/AC.37/2002/6
Slovakia	16 April 2002	S/AC.37/2002/13
Slovenia	16 April 2002	S/AC.37/2002/16
South Africa	16 April 2002	S/AC.37/2002/12
Spain	30 April 2002	S/AC.37/2002/44
Sweden	15 April 2002	S/AC.37/2002/5
Switzerland	21 June 2002	S/AC.37/2002/66
Syrian Arab Republic	16 April 2002	S/AC.37/2002/18
Thailand	16 April 2002	S/AC.37/2002/27
The former Yugoslav Republic of Macedonia	30 May 2002	S/AC.37/2002/57
Tunisia	8 May 2002	S/AC.37/2002/48
Turkey	10 June 2002	S/AC.37/2002/60
Ukraine	10 June 2002 8 August 2002	S/AC.37/2002/61 S/AC.37/2002/61/Add.1
United Kingdom of Great Britain and Northern Ireland	15 April 2002	S/AC.37/2002/2
United States of America	24 April 2002	S/AC.37/2002/38
Yugoslavia	18 April 2002	S/AC.37/2002/40